

144064

JPRS 83134

25 March 1983

# Latin America Report

No. 2657

Reproduced From  
Best Available Copy

**DISTRIBUTION STATEMENT A**  
Approved for Public Release  
Distribution Unlimited

19991007 118

**FBIS**

FOREIGN BROADCAST INFORMATION SERVICE

4  
126  
A07

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

25 March 1983

## LATIN AMERICA REPORT

No. 2657

## CONTENTS

## ENERGY ECONOMICS

## NICARAGUA

- Rappaccioli Reports on INE's Activities, Plans  
(EL NUEVO DIARIO, 10 Jan 83)..... 1

## PERU

- Briefs  
CPV Acquires Foreign Petroleum 4

## COUNTRY SECTION

## BOLIVIA

- Obstacles Ahead for Crippled Government Foreseen  
(Editorial; ULTIMA HORA, 1 Feb 83)..... 5
- PDC President Sanjines Views Fragmentation of UDP  
(PRESENCIA, 3 Feb 83)..... 7
- Government Appeals to COB To Mediate Labor Demands  
(HOY, 10 Feb 83)..... 9
- Peasant Group Responds Harshly to Congressional Attacks  
(EL DIARIO, 9 Feb 83)..... 11

## BRAZIL

- Arms Exports Expected To Yield U.S. \$2 Billion; Growth Areas  
(O GLOBO, 7 Feb 83)..... 12

Unemployment Down in Six Major Cities During December (O ESTADO DE SAO PAULO, 8 Feb 83).....	16
Briefs	
CFP Crop Forecasts	18
Iraqi Delegation Visit	18
Steel Sales to PRC	19
CHILE	
Foreign Minister Discusses Personal Background, Attitudes (Lillian Calm; QUE PASA, 17-23 Feb 83).....	20
COSTA RICA	
Briefs	
UNESCO Ambassador Resigns	25
Ambassador to Belize	25
Decline in Meat Exports	25
Food Agreement With Aid	25
Income Tax Receipts	25
Trade Agreement With Panama	25
CUBA	
U.S. Foreign Policy Objectives Criticized (Elpidio Valdivia; VERDE OLIVO, 27 Jan, 3 Feb 83).....	26
Policy Toward El Salvador	
Establishment of Central Command	
Monetary Problems of Third World Analyzed (George Carriazo; GRANMA, 27 Jan 83).....	34
Machado Ventura on Improvements in Party's Organizations (Jose R. Machado Ventura Interview; GRANMA, 5 Jan 83)....	40
Commentary Views U.S. Immigration Policies (Oscar Ferrer; GRANMA, 29 Jan 83).....	45
Day of Solidarity With Salvadoran People Held (Jesus Mena; GRANMA, 22 Jan 83).....	47
Patrol To Enforce Fishing Regulations (Fernando Davalos; GRANMA, 21 Jan 83).....	49
EL SALVADOR	
Briefs	
Three New Telephone Exchanges	50
University Salaries Reinstated	50
New Gasohol Plant	51



## HONDURAS

### Briefs

Military Academy Director 52

## MEXICO

SNTE 13th Congress Meets in Cozumel  
(EXCELSIOR, 1, 2 Feb 83)..... 53

Disturbance at Outset  
DLM Calls for Unity, by Isabel Zamorano  
CNTE, MRM Reaction, by Rogelio Hernandez  
Assurances From SNTE Leaders, by Alfredo Gracia  
Fabela  
Request for Decentralization Study  
CNTE Members on CEN/SNTE, by Miguel Angel Ramirez  
Judgments on Contress

Economist Urges Realistic Renegotiation of Debt Payments  
(EXCELSIOR, 26 Jan 83)..... 63

PSUM, COCEI Power Grows in Oaxaca Towns  
(Guillermo C. Zetina; EXCELSIOR, 26 Jan 83)..... 65

Central Americans' Purchases Said To Promote Shortages  
in Chiapas  
(Gregorio Barrientos C.; LA VOZ DEL SURESTE,  
14 Jan 83)..... 66

## NICARAGUA

MINVAH Minister Discusses Housing Bill  
(BARRICADA, 21 Jan 83)..... 68

## PANAMA

Pope Stresses Peasants' Dignity, Need To Avoid Violence  
(Panama City Domestic Television Service, 5 Mar 83)..... 70

## PERU

Prime Minister Outlines Government Program to National  
Congress  
(Fernando Schwalb Lopez Aldana; EL COMERCIO,  
17 Feb 83)..... 72

War Minister Expresses Confidence in Armed Forces  
(EL COMERCIO, 9 Feb 83)..... 103

Interior Minister Discusses Terrorism, Other Issues (Fernando Rincon Bazo Interview; EL COMERCIO, 13 Feb 83).....	105
---	-----

Briefs	
Relocation of Cuban Refugees	110

#### VENEZUELA

Provisions for Oil Price Drop Not Included in 1983 Budget (EL DIARIO DE CARACAS, 11 Feb 83).....	111
---	-----

Former IMF Director Criticizes Economic Policies (EL DIARIO DE CARACAS, 11 Feb 83).....	116
--	-----

Briefs	
Lusinchi's Attitude Regarding BTV Criticized	118
Japanese Loans for Debt Refinancing	118

## RAPPACCIOLI REPORTS ON INE'S ACTIVITIES, PLANS

Managua EL NUEVO DIARIO in Spanish 10 Jan 83 p 8

/Text/ A profit of 191 million cordobas was earned by the INE /Nicaraguan Energy Institute/ in 1982, according to Minister-Director Emilio Rappaccioli, who also presented a detailed report on the activities carried out by that institute during the past year.

Of the profits obtained during 1982, 188 million was invested in scheduled projects and plans and 61 million used toward payment of the foreign debt.

With regard to the program for energy production, Engineer Rappaccioli pointed out that a production of 1,158 kW was forecast for 1982 but that this figure was not achieved inasmuch as only 1,066 kW per hour was obtainable from the hydroelectric plants, which contributed 39 percent, while 9 percent was purchased from Costa Rica and the remainder was produced by local thermal plants.

"In cooperation with Costa Rica," the official emphasized, "Nicaragua saved 89 million cordobas in July 1982 through the construction of a 230,000 volt line at the Rivas substation.

With regard to the marketing of energy, Rappaccioli said that in 1982 the INE invoiced 288 million cordobas for electrical energy; the industrial sector consumed less energy than was programmed--320 million kW per hour being programmed and only 276 million being consumed.

In this connection, he said that in the domestic sphere the moratorium was reduced to 54 million cordobas, in the commercial sector to 18.1 million, in irrigation to 14 million, in public lighting to 15.7 million and in the state sector to 63.9 million; he pointed out that the Nicaraguan Institute of Aqueducts and Sewage Systems (INNA) was the most noteworthy in this respect, being the first to pay and even paying more than the amount due.

"We hope," Rappacioli said, "that in 1983 the government and state sector will follow INNA's example by getting its payments up-to-date so that we might reach our objective for 1983, which is to reduce the state moratorium to 713 cordobas.

In the operational sector, the INE had planned to invest 959 million cordobas in 1982 but invested only 828 million due to a reduction in expenditures for fuel and the problem of obtaining spare parts.

In carrying out its objectives for 1982, the INE realized a saving of \$10.5 million in foreign currency with which it plans to replace foreign purchases with local purchases, substitute thermal generation with hydroelectric generation, decrease the imports of gasoline as a result of the rationing program and replace thermal generation by importing hydroelectric power from Costa Rica, according to the official.

Rappaccioli also said that, through PETRONIC /Nicaraguan Petroleum Company/, the INE supplied the country with 4.4 million barrels of crude oil and that gasoline rationing during the same year contributed to a saving of \$3.3 million. Furthermore, in the supply of diesel fuel, there was a decrease of 80,000 barrels which also represents a substantial amount of dollars.

On the subject of investments, the INE minister-director said that in 1982 the sum of 285 million cordobas was budgeted for carrying out various geothermal projects, such as the building of the first plant in Momotombo which is already near completion and will start up in July.

With the operation of the new geothermal plant, INE's generating capacity will increase by more than 10 percent, which will make it possible to supply the Nicaraguan people with 24 million kWh per month and which, at the same time, will be equal to a saving of 46,000 barrels of oil per month.

"To get this project started," the minister-director said, "more than 160 million cordobas was invested in 1982; of this amount, 43 million was in national currency taken from INE funds."

A project of utmost importance and termed as of the highest magnitude is that of Asturias which is being financed by the IDB; in 1984 this project will account for more than 84 million kW per year, thus providing an annual saving of \$5 million in the import of oil. A total of 17 million cordobas was invested in Asturias in 1982, 50 percent being supplied from INE funds.

Likewise, in the area of investments and pre-investments, the INE, jointly with the World Bank, engaged in considerable financing for studies on the El Noveno project, the construction of various substations, the National Energy Plan, studies on energy conservation, a project involving the electrification of the Siuna and Bonanza mines and a study on the feasibility of the Rio Pantasma project.

Projects of alternate sources of energy were carried out, such as the construction of 5 stations for solar measurement in Managua, Ocotal, San Carlos and other areas of the country; the ENABAS /National Staple Foods Enterprise/ grain elevators were built; and steps were taken to produce 75 cooking stoves in various rural areas using biogas, thus saving firewood.

With regard to the supply of power to outlying regions and communities, 48 percent of the people were served on the national level in 1982, representing an increase of 2 percent over the previous year. At the same time, more than 13,000 customers were added to the system with a monthly consumption of 40 kWh, and electric power was supplied to 65 new communities.

"The preceding," Rappaccioli stressed, "was possible only through the construction of more than 350 km of distribution lines for which investments totaling 23 million cordobas were made by the INE and the new consumers.

"Lastly," he said, "the accomplishment of the above objectives was significantly aided by a decrease in delinquent accounts which amounted to about 100 million cordobas."

INE Vice Minister Ricardo Chavarria, in turn, stressed the importance of the workers and innovators who, through their efforts and sacrifice, helped achieve the goals proposed on behalf of the Nicaraguan people.

He also called attention to the effort made by the INE to raise the technical level of its workers and for which, in 1982, it invested 11 million cordobas to set up qualification programs in which 2,337 workers participated, representing 55 percent of INE's total personnel. According to the vice minister, 45 scholarships were granted for specialized studies abroad and 36 for short courses domestically: in addition, 21 students were subsidized with scholarships at various universities and advanced-study centers within the country.

To summarize the activities carried out by the INE in 1982, it must be said that its fundamental objective was a maximum saving in foreign currency, austerity and efficiency, a minimizing of the costs in local currency and rational use of products derived from petroleum.

In this context, INE's operating administration in 1982 used the guideline of the socioeconomic policy put forth by the Government of National Reconstruction in order to maintain the electric energy productive system in carrying out investments, studies and plans aimed over the medium and long term at assuring the country's agricultural and manufacturing production.

"And, in turn, to strengthen the social and economic well-being of the people through the supply of power to regions, municipalities and agricultural communities heretofore considered underprivileged," Engineer Emilio Rappaccioli, INE minister-director, said in concluding his speech giving the annual report of that institution.

8568

CSO: 3248/530

## BRIEFS

CPV ACQUIRES FOREIGN PETROLEUM--Prompted by the closeout of the credit for purchasing fuel from the Peruvian State Petroleum Agency (PETROPERU), four vessels of the Peruvian Shipping Corporation [CPV] are carrying out their commercial itinerary with oil borrowed from reserves of other vessels of that shipping country, purchased abroad. The labor director of the CPV fleet and head of the Peruvian Maritime Crew Association, Hilarion Balmaceda, announced that this was due to the fact that PETROPERU has cut off the credit to CPV and, therefore, has stopped the delivery of fuel for its ships, owing to the debt of 1.2 billion soles that this shipping firm owes it. That leader said that PETROPERU does not even want to sell the oil to CPV for cash, and for this reason that fuel is being purchased abroad. He added that the government itself is attempting to solve this problem, considering the fact that both companies belong to the state. [Excerpt] [Lima EL COMERCIO in Spanish 23 Feb 83 Sec A p 6] 2909

CSO: 3348/242

## OBSTACLES AHEAD FOR CRIPPLED GOVERNMENT FORESEEN

La Paz ULTIMA HORA in Spanish 1 Feb 83 p 3

/Editorial: "Political Crisis"/

/Text/ Three months after the UDP /People's Democratic Union/ took over the government, one member of the coalition, the MIR /Movement of the Revolutionary Left/ withdrew its representatives from the ministerial cabinet. It would be interesting to analyze the effects of this split and see whether the political crisis has bettered or hampered prospects for economic improvement that the people are desperately hoping for.

The first thing evident to the public is that the departure of the MIR has weakened the executive. We must bear in mind that the great majority of the people backed the political coalition that took power last October because it saw in it a solution to the problem created by the unpopularity of the recent military governments. This is why support for the UDP grew by leaps and bounds to unquantifiable levels. The withdrawal of one of the principal members of that coalition, which received overall about one-third of the votes in the elections, and the obvious decline in the initial support, lead us to conjecture that we should be concerned over the government's weakness.

There have so far been only isolated cases of confrontation between national representatives and cabinet members, but we would not be surprised to be witnessing soon verbal bouts and also votes of censure in Parliament. We can also expect that certain measures proposed by the administration will not be accepted by the legislature, which will tie the former's hands.

To avoid these pitfalls, the only solution is for the Executive to broaden its support. This should be done on the basis of a well-defined, coherent program loyally accepted by all the country's leaders.

There is national consensus on the urgent need to take up three priority tasks: erradicate the drug trade; fight corruption and promote law and order; and, reactivate our crippled economy. To make these words reality, we need specific plans, a detailed program and frank and determined action.

A broad base of support should be sought on these grounds, so that there will be an effective legislative majority, with the contributions of labor and management which should participate in this major undertaking.

The government's economic team has worked doggedly and we believe that it has at least been successful in curbing the existing disorder and in pointing the way to begin the economic recovery process, once certain difficulties are overcome, the foreign debt is rescheduled and credits offered in principle materialize.

We cannot give an opinion on the other tasks we regard as priorities: the fight against the drug trade and corruption. We assume that the members of the government agree on these points and that the effectiveness of action in these areas will depend on the personal efficiency of the people in charge.

The government's initial support has obviously weakened. In view of this fact, it is up to the head of state to devise a successful policy for uniting efforts to solve the country's serious problems. This will not be achieved through fruitless bickering but by highly effective work on the part of the administration. If a broad-based consensus is not achieved, the country could remain in the hands of minority groups incapable of coping with the crisis, and this would be counter to national interests and also to the basic principles of a true democracy.

In this great task of orientation and unification, the Parliament must play its role in defending the democratic system, by eschewing sectarianism and partisan politics.

CSO: 3348/217  
9805



## PDC PRESIDENT SANJINES VIEWS FRAGMENTATION OF UDP

La Paz PRESENCIA in Spanish 3 Feb 83 p 9

/Text/ Christian Democratic President Luis Ossio Sanjines believes that to restore democracy in the country, a sustained effort is needed to consolidate and develop democracy in the country, but that this effort requires the cooperation of Bolivian institutions and organizations to join in the work of formulating or subscribing a Social Pact that would include the peasants /campesinos/ and provide for justice in the treatment of workers and an increase in the productivity and efficiency of business.

Dr Ossio expressed his views during an interview with PRESENCIA on the political crisis afflicting the country as a result of the problem in the ranks of the People's Democratic Unity (UDP).

He also said that what is needed now is an economic pact that would provide for real austerity and remuneration that would enable workers and their families to subsist, and that would limit nonessential imports and help put the national productive apparatus in operation, as it is partially paralyzed with economic, financial and even monetary measures.

"We need a political pact that recognizes the right of Bolivians to hold different political and ideological views, without being reviled or bitterly criticized for them, and acceptance of democratic political parties to defend and strengthen democracy, whether these parties are part of the opposition or in the government. Following a policy to unify the principal institutions, we need the active participation of the Bolivian Labor Federation, not to mention other national forces," Ossio Sanjines remarked.

In reply to questions, he said that the UDP's internal crisis is important "because it curbs recovery efforts, and especially economic efforts. But it is occurring in the early stages of the democratic experiment and is a sign of our lack of experience."

The important thing, he added, is that priority be given, over and above disputes in the UDP and other political parties, to solving the country's economic and financial problems, which should become increasingly critical in the face of other short-term problems.

He also said that he does not agree with other views to the effect that the UDP is not a viable program. "What everyone is forgetting is that in a presidential system such as Bolivia's, the major executive, political and administrative responsibility belongs to the president, and, quite clearly, to the Constitution. The president can reappoint his entire cabinet without affecting the viability of the government."

He added that the fundamental factor is the people's consensus needed for democracy, and that as long as the president maintains a pluralistic and democratic position, despite the sacrifices required, he is assured of the people's support.

With regard to the PCB [Bolivian Communist Party] holding a dominant position in the government, Ossio Sanjines said that "personally, I do not believe that this will happen, because it is difficult to manipulate President Siles and I think that the PCB is well aware of this fact, especially since, given Bolivia's position vis-a-vis Latin America and the world in general, it could mean that this party would suddenly lose possibilities for gaining influence."

"As long as the PCB follows its democratic, antitotalitarian policy in favor of the people that it has always professed in Bolivia, it can help further the democratic process significantly. Should it fail to do so, its losses would be much greater than its gains."

In response to the statement that the country needs administrators and not politicians, the Christian Democratic leader recalled that most of the time, "our country has been governed by independent people and the result is the Bolivia of today. The reason is simple: a high-level administrator without political parties is not held responsible for implementing a program and does not bear responsibility for its success or failure."

"This does not mean that independent persons are not involved, but they are following a program formulated by political organizations charged by the constitution to perform the task."

Ossio feels that the political base of the UDP can be broadened, provided there is coherence in programs or ideologies. Finally, he said that the departure of the MIR [Movement of the Revolutionary Left] from the UDP was unfortunate, since it is important in Bolivia as a new group that furthers the concepts of pluralism and democracy.

"However," he added, "given the intentions of the parties involved, the MIR is expected to return to the UDP to take up the responsibilities that it assured."

9805  
CSO: 3348/217

GOVERNMENT APPEALS TO COB TO MEDIATE LABOR DEMANDS

La Paz HOY in Spanish 10 Feb 83 p 12

/Text/ The government asked the Bolivian Labor Federation (COB) to reach an agreement leading to a solution to the wage demands made by various labor groups in the country, reported Labor Minister Roberto Arnez yesterday.

Arnez said that most of the workers are requesting wage adjustments based on a moving scale that will reflect the current cost of living and the constant increase in prices of basic commodities.

The State Secretary said that the wage proposals made to the government are to be considered previously by the Bolivian Labor Federation, the Industrial Workers Federation and all the labor associations in accordance with their own procedures.

The constitutional regime intends to reach an agreement that will make it possible to find a way to make across-the-board improvements in the wages of labor in the country, he added.

Through the National Wage Council (CONALSA), the government is studying the use of a moving scale, after completing the 100 days of social truce proposed by the UDP administration.

The labor minister indicated that they want to enter into a dialogue as a way of reaching agreements to meet the workers' demands.

He added that use of pressure should be ruled out, because "we have no desire to start a fight or create tension with the labor sector."

Private Businessmen

Arnez also said that the Bolivian Federation of Private Businessmen submitted a report to the Labor Ministry containing seven specific points related to the general situation and to business.

In response to the series of points submitted by the Federation, the government is preparing replies and comments regarding ministry action, he said.

In the first case, one of the bank's officers declared a lockout without complying with legal procedures. This created unrest among the bank employees, who decided to stay inside the premises of the institution, which is very different from taking over the premises, he pointed out.

The minister of labor issued a decision in favor of the employees, which was accepted by the employers, and this provision cannot be considered as intervention, he added.

Arnez also said that the situation of the Liquid Carbonic company was resolved with the participation of workers and management.

#### Unemployment

The country is experiencing two different types of unemployment, because of its dependency and the fact that it is capitalist, the Labor Minister said, adding that this situation would be resolved by fully reactivating the country's productive apparatus.

He went on to say that there is absolute and relative unemployment. The first is at 10 percent and the second at 40 percent and worsening, because of the economic situation in the country.

Only large capital investments will reduce the rate of unemployment in the country, he pointed out.

9805

CSO: 3348/217

## PEASANT GROUP RESPONDS HARSHLY TO CONGRESSIONAL ATTACKS

La Paz EL DIARIO in Spanish 9 Feb 83 p 3

/Text/ Yesterday the Bolivian Farm Workers Union accused Parliament of trying to instigate an antidemocratic conspiracy and to promote antinationalist feelings, revealing "deep racial and antiunion prejudices against the country's farm workers on the part of legislators from the ADN /Nationalist Democratic Alliance/, the MNRH, and some independent deputies."

Genaro Flores, the leader of this union, said that in view of the series of statements made by Parliament against the minister of farm workers' and agricultural affairs, Zenon Barrientos Mamani, the union "felt obliged to come to the public forum to defend itself against the defamatory and demagogic posturing coming from Parliament."

"We are not going to go into the political background of the deputies making these statements, which could be rich in examples of cynicism, demagogery and corruption. Among them are men known as usurpers and manipulators of the farm workers, ideologists and backers of the Military-Farm Worker Pact and accomplices of the Tolata massacre and of the persecution and murder of our leaders," he stated.

He harshly criticized legislators from the parties referred to, calling them "the Fathers of the Fatherland and godfathers of the clique." "The MNRH, a purveyor of bossism and corruption, cannot talk to us now or claim to teach us something about union independence. The ADN, which is going around today with the law under its arm, should recall that its leader, General Banzer, gave free rein to open fire on the farm workers in Tolata," he added.

"Banzerist deputies cannot talk about morals or respect for the law when they, together with their falangist and MNRH partners, looted the vaults of the Banco Agricola to fill their own pockets," he declared.

"Deputy Jaime Villegas of the Pazestensorista Alliance, and former coordinator of the Military-Farm Worker Pact, who talks to us today about defending the farm workers, should remember that in the past 18 years, he never spoke out against the 20 January 1974 package that led to the Tolata massacre, the plans for South African racist immigration, or the sterilization of female farm workers," he charged.

## ARMS EXPORTS EXPECTED TO YIELD U.S.\$2 BILLION; GROWTH AREAS

Rio de Janeiro 0 GLOBO in Portuguese 7 Feb 83 p 16

[Text] Brasilia--The government intends to increase foreign exchange earnings by stepping up exports of war materiel. Those earnings should rise from last year's \$110 million to about \$2 billion with the sale on the foreign market of "materiel of military interest," which includes controlled war materiel (armored vehicles, arms, and ammunition) and "uncontrolled" products, according to military sources.

The packages of "materiel of military interest," the export of which will require a more aggressive marketing policy on the part of the Ministry of Foreign Affairs, range from complete units (the building and assembling of barracks with all the necessary equipment, furniture, and utensils) to tools and uniforms. Sources said that those packages are comparable to those that Brazil imported from the United States prior to 1960.

## Strategy

Depending on its activity in the international market, the country may sell quantities of tanks and armored vehicles of various types--reconnaissance, infantry transport, engineers, communications, and rescue (wrecker) vehicles--and military vehicles for general use (crash vehicles, workshop vehicles, radio vehicles, command post vehicles, fuel vehicles, ambulances, trucks, and other off-road vehicles).

According to our sources, there may also be sales of field equipment and camp utensils, engineering, communications, and medical equipment, refrigerators, and other cooking and mess equipment. All Brazilian-manufactured products for military use are listed in a catalog published by the Ministry of Foreign Affairs.

According to our sources, national industry is capable--since, for one thing, it has idle capacity--of supplying all kinds of materiel: arms and equipment for military units such as tank regiments, motorized and mechanized infantry battalions, cavalry regiments and troops, antiaircraft artillery batteries and groups, combat engineer and construction engineer battalions, communications battalions and companies, logistic support battalions, and medical battalions and companies of all kinds, as well as ships and fighter and observation aircraft squadrons.

The country exports small arms (pistols, rifles, and hand-carried machineguns) and collective weapons (heavy machineguns, cannon, mortars, howitzers, and missile and rocket launchers), as well as a great variety of ammunition. According to our sources, the army regards as "fully justifiable" the exporting of "materiel of military interest"--including that classified, strictly speaking, as "weapons for peace"--in view of the country's need to achieve equilibrium in its balance of payments and because those sales promote a balance of forces among nations, forcing them "to sit down at the negotiating table."

#### Growing Market

The Third World, with which Brazil already has contracts totaling \$1.2 billion for the next few years, is the chief market for Brazilian war materiel. Sales have already been made to countries in the Middle East, Africa, Asia, and Latin America. In those regions, Brazil has 10 percent of the market for war materiel, excluding the captive markets of the big producers (the United States, the Soviet Union, Great Britain, and France).

Our sources say that Brazilian arms exports have already helped to ensure balance in a few conflicts in the Third World, such as those involving Ecuador and Peru, Chile and Argentina, Libya and Egypt, and Venezuela and Suriname. They say that in those cases, the potential for aggression has been reduced just as it is in the traditional confrontation between the Soviet Union and the United States.

The sources say that questions of national security also justify the strengthening of Brazilian industry which, while its product line is directed at the normal consumer market, also produces equipment, parts, and components for the war materiel sector. This is because, in their opinion, neutral suppliers--aligned with neither NATO nor the Warsaw Pact--do not exist in the world.

Projects for research and development in this sector are now aimed at the manufacture of products to round out a conventional army's military equipment, according to our sources. With that in mind, the country is going to produce 105mm and 155mm howitzers for field artillery groups, while ENGESA [Specialized Engineers, Inc] and Bernardini will test the prototypes of their tracked tanks--probably this year.

The advantage of Brazilian products, say our sources, is that most of the equipment, parts, and components used in the materiel of military interest can be found in the industry and trade concerned with automobiles, radio, and television and even in supermarkets.

#### Manufacturers Cautious With Regard to Foreign Trade

Sao Jose dos Campos--The arms firms do not expect or believe that there will be a radical transformation in Brazil's foreign policy, and because of that, they are predicting a 20-percent increase in exports this year. Despite the economic crisis seriously affecting most African countries and also those in the Middle East, it is in those two regions that Brazilian arms sales should increase in 1983.

In order for that objective to be achieved, thus nourishing new ambitions in the industry, the private firms are waiting to see the action plans adopted by IMBEL (Ordnance Industry), which are designed to increase commercial aggressiveness abroad. That effort includes the weighing of various factors related to the world economic situation, the Third World's purchasing power, and the technological level of Brazilian products in comparison with those of the big powers.

#### Competition

Brazil is already competitive in the case of some products whose levels of sophistication are even higher than those achieved by traditional arms manufacturers: the United States, Great Britain, France, Italy, and the Soviet Union. Because of this, it is necessary to follow up on development and improve production. But the big manufacturers occupy a position in the market that leaves countries like Brazil with large sectors of the market in countries whose economies are smaller and which have neither the money nor the need for highly sophisticated equipment.

Brazil's activity is not enough to threaten American and British manufacturers, although it is beginning to cause problems for the growth of sales by the French and Italians--who are offering financial advantages in an effort to expand their markets. According to Brazilian businessmen, France's Ministries of Trade and Defense, for example, have conducted thorough studies of Brazil's penetration of the African market, where that country's products are being rejected in favor of ENGESA's combat vehicles.

The same sources say that on the African continent, only Nigeria has demonstrated major economic resistance, and this provides Brazilian enterprise with arguments with which to convince a number of countries and their armed forces that instead of having to acquire tanks, rockets, launchers, aircraft, light weapons, or ammunition from the big powers, they can choose a level that is more modest, but effective and cheaper.

#### Balance

Brazilian businessmen avoid discussing the matter, emphasizing that they will go along with the policy decided on by the government, but they say that so far, no inquiry or request for arms by any country has been turned down by the Ministry of Foreign Affairs or the Armed Forces General Staff (EMFA). They also say that the criteria are purely commercial and have no political connotations and that all the sales have been made to countries maintaining relations with Brazil. They say that this approach indicates that the Brazilian Government acts in keeping with the concept of national sovereignty and that even in the arms trade, it does not accept any influence or restrictions by more developed countries.

It is pointed out that the only specific pressure so far was the attempt by the United States to prevent ENGESA's tanks from being assembled with engines produced by General Motors of Brazil. GM argues, however, that the restriction was economic in nature rather than political, since ENGESA's orders were large enough to support the production of engines, sales of which were declining day



by day and even forced the closing of a Detroit Diesel plant in Sao Jose dos Campos. In any case, ENGESA found other solutions and experienced no problems as a result.

The arms firms also do not believe there will be any changes in the commercial aspect of the foreign policy following the surveys of world strategy.

One source said: "Our products, even if sold in larger quantities than they are today, would not represent any threat to the balance of forces in the regions we serve."

That point is considered basic and valid for the entire Brazilian arms industry.

11798

CSO: 3342/67

## UNEMPLOYMENT DOWN IN SIX MAJOR CITIES DURING DECEMBER

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 8 Feb 83 p 31

[Text] Rio de Janeiro--The unemployment rate in six of the country's metropolitan areas declined in December 1982 in comparison with November, and the reason, according to the IBGE [Brazilian Institute of Geography and Statistics], was the slower migration of rural inhabitants to the cities in search of work, combined with the return by other migrants to their places of origin.

In Sao Paulo, unemployment in December was down by 0.89 percent in comparison with November. The unemployment rate for the economically active population in the Sao Paulo metropolitan area was 3.61 percent in December, compared to 4.5 percent in November. The Recife metropolitan area recorded the largest drop in unemployment in December (down 1.52 percent from November). The unemployment rate in that area dropped from 6.17 percent in November to 4.65 percent in December.

According to the IBGE, the drop in the unemployment rates can also be attributed to a "shift by people seeking work into occupations different from those they had been engaged in previously, indicating a growth in the rates of underemployment." The IBGE also draws attention to the fact that "the number of self-employed people is also rising, not only in absolute numbers, but also in relative terms."

### Survey

In its monthly employment survey, the IBGE estimates the number of unemployed workers aged 15 and older in relation to the economically active population (PEA), although the institute has not revealed the figures for the latter.

The second group analyzed by the IBGE comprises self-employed workers who received no remuneration in the month in question, again as a percentage of the economically active population.

The third group comprises unemployed workers who previously held a wage-paying job and the self-employed. In both cases, the figure includes unemployed persons aged 15 and older.

# Monthly Employment Survey

Month 1982	Rio de Janeiro			Sao Paulo			Porto Alegre		
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
August	5.59	1.45	7.04	5.71	0.84	6.55	5.55	1.12	6.67
September	5.06	1.43	6.49	5.57	0.77	6.34	5.01	1.11	6.12
October	5.02	1.36	6.38	4.90	0.88	5.78	4.64	1.21	5.85
November	4.51	1.25	5.76	4.50	0.63	5.13	4.18	1.21	5.39
December	3.94	1.16	5.10	3.61	0.77	4.38	3.57	1.44	5.01

Month 1982	Belo Horizonte			Recife			Salvador		
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
August	6.38	1.82	8.20	6.99	2.48	9.47	5.79	0.87	6.66
September	5.76	1.61	7.37	6.82	1.93	8.75	5.69	0.89	6.58
October	6.20	1.67	7.87	6.36	1.86	8.22	5.38	0.64	6.02
November	5.79	1.80	7.59	6.17	2.05	8.22	4.86	0.53	5.39
December	5.71	1.71	7.42	4.65	1.98	6.63	4.46	0.66	5.12

1. Unemployed: persons 15 years of age and older.
2. Self-employed: active without remuneration in the month shown in relation to the economically active population (15 years of age and older).
3. Unemployed plus self-employed without remuneration in the month shown in relation to the economically active population (15 years of age and older).

Source: Brazilian Institute of Geography and Statistics Foundation (IBGE Foundation).

11798  
CS0: 3342/67

## BRIEFS

CFP CROP FORECASTS--According to the crop forecast released in Brasilia yesterday following a survey by the CFP (Production Financing Company) in the last week of January, the three crops with the best prospect of performing better than last year are soybeans (up 12 percent), corn (4 percent), and rice (2 percent). Beans are continuing to confirm the trend noted in the two previous forecasts and may show a drop of 32 percent by harvesttime. According to official figures from the Ministry of Agriculture, the country will harvest 7.4 million tons of rice this year (compared to 7.2 million tons in the last harvest) and 14.6 million tons of soybeans (12.9 million tons harvested in 1982), while the corn crop will rise from 21.7 million tons in 1982 to 22.7 million tons in this harvest. The bean crop, which was negative in this first harvest, will fall from 1.5 million to 1.06 million tons. The total of raw and seed cotton will increase by 7 percent, rising from last year's 552,000 tons to 596,000 tons this year. According to the CFP's data, the average soybean yield should be 14 percent higher than in the 1981-1982 harvest, since a harvest of 1,747 kilograms per hectare is expected, compared to 1,536 kilograms per hectare last year. The corn yield should be up by 13 percent to 2,297 kilograms per hectare, while rice productivity should rise this year by 7 percent to 1,806 kilograms per hectare, compared to 1,674 kilograms per hectare in the 1981-1982 harvest. [Excerpt] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Feb 83 p 24] 11798

IRAQI DELEGATION VISIT--Brasilia--Implementation of the scientific and technological cooperation agreement signed in 1981 by Brazil's National Scientific and Technological Development Council (CNPq) and the Agricultural and Petroleum Research Center and the Scientific Research Council, both of Iraq, will begin this year with a visit to Brazil this month by the directors of the Iraqi organizations. Between 12 February and 6 March, directors Samir Al-Shakir and Suham Al-Madafi will visit Brazil's research institutions according to a full schedule that will involve the IPT (Technological Research Institute), Sao Paulo University, the Butanta Research Institute, the Food Technology Institute, the Campinas Agronomic Institute, the Itaipu hydroelectric plant, the National Center of Agricultural Engineering, and the Amazonia Research Institute. Suham Al-Madafi, director of the Iraq Scientific Research Council, will hold meetings with petroleum technicians and researchers from the Rio de Janeiro Federal University, the Leopoldo A. Miguez Research and Development Center, the Chemistry Institute of the Rio de Janeiro Federal University, the Brazilian Petroleum Institute, the Duque de Caxias Refinery, the Camacari petrochemical complex, and the Reconcavo Baiano refinery complex. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 2 Feb 83 p 10] 11798

STEEL SALES TO PRC--Sao Paulo--The Sao Paulo Iron and Steel Company (COSIPA) is continuing to sell steel to the PRC, proving that the Brazilian product is well accepted in that market. This year's first shipment was carried by the "London Voyager" bound for Shanghai and Hsikang: 25,000 tons of cold- and hot-rolled steel. The operation was carried out at the special iron and steel port in Piacaguera (Cubatao), thus completing a total order for 35,000 tons of iron and steel products. COSIPA became a steel supplier to China at the end of 1981, when it shipped the first 6,000 tons. China produces about 30 million tons annually, but it represents a potential market of approximately 2 million tons for foreign suppliers. The Chinese have imported as much as 5 million tons in 1 year, the chief supplier being Japan, followed by European countries. According to COSIPA's Office of Communications, the sales to China are the result of negotiations that lasted 4 years and included visits by company technical teams to China and by Chinese missions to Brazil to check up on production conditions and the technological development of products manufactured by COSIPA. Those products comply with the Japan Industrial Standard (JIS). [Excerpt] [Rio de Janeiro JORNAL DO BRASIL in Portuguese 28 Jan 83 p 21] 11798

CSO: 3342/67

## FOREIGN MINISTER DISCUSSES PERSONAL BACKGROUND, ATTITUDES

Santiago QUE PASA in Spanish 17-23 Feb 83 pp 40, 41

[Article by Lillian Calm]

[Text] Miguel Alex Schweitzer has come to another fork in the road, that is, another challenge. "The life of a human being is one continuous choice of alternatives, like the games in which children must choose the right road to get to a given point. On this occasion, I believe I faced a fork in the road and I chose this one."

This is what he confided to us exactly 3 years ago when we interviewed him for QUE PASA before he presented his credentials as Chilean Ambassador to Queen Elizabeth II. Now he is returning from London as foreign minister. Therefore, we want to profile his personality and his thoughts by taking paragraphs from the three interviews he has granted our magazine during the last 3 years. We will focus on these paragraphs since in our last edition we have already reported his first impressions after his appointment.

Miguel Alex Schweitzer, before he left for London, told us that he has always taken the right road. "When I married; when I chose the law; when I went abroad." This man, who has defined his life as "a series of lucky breaks," is married to Maria Luisa Fernandez (a woman who knows how to give him support extraordinarily well. She studied political science and is a first cousin of former minister Sergio Fernandez). They have three children.

Let us begin with the new foreign minister's education. He is the son of lawyers Miguel Schweitzer (at present the President of the Council of State) and Cora Walters. He recalls that he went to the Grange School during the years "when its founder Mr Jackson was still alive." This meant "a flawless English education at a time when British influence in Chile was much greater than it is today."

He stressed the importance of the influence he received from the ages of 6 to 16 in "that school of fair play: to know that one always has to go after a goal with one's mind set to reach it, but if one fails, the only thing to do is to begin again." He also stressed the importance in life of respecting the rules of the game, behaving accordingly and overcoming any adversity.

Little by little he came to the decision to become a lawyer: "When I told my father that I wanted to study law, he emphatically expressed his delight in my becoming a lawyer but he discouraged me. He said that I should be aware of the risk that I was taking since he, as professor, would not accept just any student in the University of Chile, that I would have a heavier load than the other students." Schweitzer went ahead with his plan in spite of everything. "I do not think this was against my father's will." He expressed his admiration for his father "not only as a human being, but also for the way that he conducted himself in public life." Although he cannot say just how much was calling and how much was emulation, he did say, "It is a great responsibility to be Miguel Schweitzer's son."

After graduating--and against his father's wishes--he went to the University of Rome for a doctor's degree: "The fact is that my father did not know that I wanted to go abroad to study in order to find out how well I would make out where I was unknown." He was granted the doctor's degree summa cum laude. In Chile he had previously been awarded the Prize of Best Student in Criminal Law and Legal Medicine and the Pedro Montenegro Award as the best student of the class of 1958-62.

But one should not stress only his work as a criminal lawyer. Before he became an ambassador, other items in his curriculum vitae which stand out are his work as a university professor, his experience as a visiting professor in American universities (Stanford and Pennsylvania), his publications, his diplomatic missions to the OAS and the UN and his experience as advisor since 1975 at the Foreign Relations Ministry, which he now heads. He is also a member of a law office consisting, among others, of his father, Sergio Fernandez and Vasco Costa. By the beginning of 1980, he told us chuckling, "The truth is that I said jokingly that I had to become a former minister to be able to gain admission to this law office."

And now we record some of the questions asked during the three interviews and his replies:

[Question] Why have you always avoided press interviews?

[Answer] I have avoided them because I am by profession a lawyer. Contrary to what Galvarin Gallardo used to say (that he, Ballardo, put his case into newsprint, not legal documents), I put my case down in legal documents, not into newsprint. I have always understood that my interlocutor is the judge. This is a matter of principle. Also, I believe that as a rule judges tend to be more sympathetic toward a lawyer who is not a celebrity, who is not a TV man. Although many cannot believe this, I do not like being a celebrity.

[Question] Has there been any case you have pleaded which made a special impression on you?

[Answer] Yes, there were a couple of cases, but I think they made a special impression on me not because of the juridical significance of the matters involved in the cases but rather because of the emotional aspects. When I returned from Italy, I defended one of the Carlo Erba Laboratory executives. At that time, it was a very involved case and it was turned over to me when I was just a beginner in the profession. I worked on it with great energy and satisfaction. It was a very fine argument to defend legally. The argument was successful all down the line even though the person was imprisoned. I was deeply touched by the trust placed on me as a novice lawyer.

[Question] Is there a more recent case?

[Answer] Another case which impressed me because of its importance and which took place during the current administration was the FACH trial. It was of a youth against whom the death penalty was asked as a political sentence. This was the first time that I represented a person against whom the death penalty was called for. The prosecuting attorney wanted reassurance that the accused, who did not have financial means, would have an adequate defense in view of the gravity of the penalty that was called for. I spent practically a month and a half working full time on that case. To my great satisfaction, he was sentenced to 540 days' imprisonment. But I must also admit, as more than one of my colleagues has pointed out to me, that this was due not so much to the outstanding defense as to the fact that the prosecutor, who was not a lawyer, made an error. I did the best I could to convince the prosecutor that he should not ask for a death sentence for this person because there were not sufficient grounds.

[Question] In certain cases, do you support capital punishment?

[Answer] I am against capital punishment

[Question] In the international field, why has Chile traditionally been a country which complies so well with laws and treaties?

[Answer] Chile's traditional respect for the law is a result of its judicial background. The large number of great thinkers and jurists in Chile during the last century determined the country's cultural, political and social development. This, too, is what has made Chile so highly developed judicially and politically.

In April 1981, other questions were asked:

[Question] Did the English make you feel that Argentina had committed a barbaric act (as an outstanding jurist has said) when it did not accept the queen's decision in the Beagle arbitration?

[Answer] The English are a people with many centuries of civilization behind them and would never make such a statement so openly since, in general in England people speak between the lines. Among gentlemen,



everything must be understood and not necessarily expressed and said. But there is no doubt that they have a very clear idea of what is the correct attitude and what is the incorrect one regarding Her Majesty's arbitral decision. But also, in that same British way, they also understand that once the queen handed down the decision, what we jurists call the disinterestedness of the courts came into play. Here is the decision. The problem of implementing it is not within the jurisdiction of the arbitrator. It is clearly the problem of international law but not of the arbitrator. And besides, with the great sense of impartiality of the English, they wanted to be totally neutral, regardless of what they feel inside concerning the observance or nonobservance, the correctness or the incorrectness of the attitude of the contracting parties.

Then, about the middle of 1982 we asked him other questions:

[Question] Would you not say that Great Britain withdrew some years ago from a friendship with us that had existed for decades?

[Answer] I think they did. It was because of a basically political problem and I believe that anyone who really understands the English could not fail to realize that for them the ghost of militarism is frightening. I can mention one historical and two contemporary examples of this. The first: Oliver Cromwell revolted with the army against the monarchy. Since then--for hundreds of years--the army in England has never again, metaphorically speaking, been a legal institution. All of its actions have to be ratified by law. This is the safeguard they have to prevent the army from ever again attacking the basis of democracy and to avoid the possibility of there being another Cromwell.

[Question] What are the two other examples?

[Answer] This is the ghost which haunts them about Nazism and the advance of Prussian troops and the conviction that, according to them, a military man in power can never be trusted. In more modern times, this was seen in the way England reacted toward the Franco government: during that entire period, it never had really close relations with Spain. If we turn back to 1973, and consider also English domestic politics, with a strong labor party but with an intense leftist coloration (which is now destroyed but at the time blossomed like an incipient virus) it does not surprise me that a man like Foreign Minister David Owen decided to withdraw his ambassador to Chile. I would say that he had a virtual political, cultural and opportunistic mandate to do so. Obviously, I do not consider this to be justified. I consider it a gross error by the English. The situation we are going through is demonstrating that that was an error at least as serious as the one made by the English when they thought that the Argentine would not invade the archipelago. These are errors which at times are very costly, but my explanation--though not justifying or understanding it--is that this was a mistake rather than an exception to the principle of English loyalty.

Many other of his replies show the force, independence and, why not say it, the brilliance which the new Foreign Minister puts into his judgments. At this time we only wanted to make a synopsis of them. Meanwhile, (according to his own words) he has before him this new fork of the road: the Ministry of Foreign Relations. Without a doubt, this is an interesting challenge, at a time when Chilean foreign policy is not easy and when he replaces Minister Rene Rojas, a career professional who showed among his many other merits that he knew how to trust the experience of the officers who are also career members of our Foreign Service. Once Miguel Alex Schweitzer told us, "Obviously those who have been in the diplomatic service have a certain 'know-how.'" Clearly, his work in London and his international experience have effectively made that "know-how" sink in.

9204

CSO: 3348/229

## BRIEFS

UNESCO AMBASSADOR RESIGNS--Rather (Benjamin Nunez), the controversial Costa Rican ambassador to UNESCO, has presented his resignation to President Luis Alberto Monge Alvarez, in compliance with the pope's order that no priest hold a political post. [PA082335 San Jose Radio Reloj in Spanish 1200 GMT 24 Feb 83]

AMBASSADOR TO BELIZE--Rafael Lopez Garrido, who is Costa Rica's ambassador to Honduras, has also been named ambassador to Belize. [PAL81357 San Jose Radio Reloj in Spanish 0100 GMT 17 Feb 83]

DECLINE IN MEAT EXPORTS--Alberto J. Amador, president of the Federation of Costa Rican Chambers of Cattlemen, has stated at an assembly of cattlemen that the country's meat exports declined to 26 million kilos in 1982, from 33.2 million kilos the previous year. This represents a loss of income of \$17 million. [PA271958 San Jose LA NACION in Spanish 15 Feb 83 p 2D]

FOOD AGREEMENT WITH AID--Yesterday, the Costa Rican Government signed an agreement with the Agency for International Development for 167.8 million colones, to be used in the national food for work program. At least 12,570 low-income families will benefit from the program, by which families will be given staples in exchange for their service in community work. [PA292325 San Jose LA NACION in Spanish 20 Jan 83 p 4 A]

INCOME TAX RECEIPTS--Edgar Gutierrez, director general for income tax at the Finance Ministry, announced that as of 28 December 1982, 1,317,100 colones were collected in income tax payments. He added that this represents an increase of 96.6 percent over the 1981 payments. [PA292325 San Jose LA NACION in Spanish 4 Jan 83 p 4A]

TRADE AGREEMENT WITH PANAMA--Economy and Commerce Minister Marco Antonio Lopez Aguero reported that Costa Rica signed a free trade agreement with Panama today. Panama has agreed not to add to current export quotas for Costa Rican products, while Costa Rica has agreed to add new Panamanian products to its export list. [PA292325 San Jose Radio Reloj in Spanish 0100 GMT 29 Jan 83]

CSO: 3248/575

U.S. FOREIGN POLICY OBJECTIVES CRITICIZED

Policy Toward El Salvador

Havana VERDE OLIVO in Spanish 27 Jan 83 No 4 pp 14-15

[Commentary by Elpidio Valdivia: "Reagan and El Salvador: En Route to a Central American Vietnam?"]

[Text] Managua, 20 January (TASS)--The NOTISAL agency has reported that the U.S. Embassy in San Salvador has told American citizens that they ought to leave the country before the 25th of this month.

The agency adds that this news has caused deep concern in segments of Salvadoran society, which fear that the American Embassy's statement was prompted by preparations for overt U.S. intervention in El Salvador.

The above news dispatch triggered a chain reaction and prompted a wide range of speculation from observers of the situation in Central America.

The observers stated that a forthcoming "major Pentagon military action" could not be ruled out, inasmuch as such requests that U.S. citizens leave a country by a certain deadline have preceded armed Yankee intervention on previous occasions.

Others feel that such a move would only cause serious problems for the United States, which is being hard hit by an unprecedented economic crisis and in which protests are mounting by the day against the current administration's policies, while President Ronald Reagan's popularity rating is dropping in a manner that his supporters consider alarming.

Washington's policies are not always marked by pragmatism, in spite of the assertions by certain "experts" that Reagan is more pragmatic than, say, Richard Nixon.

But the facts are there to see, and it is not easy to stick one's head in the sand like an ostrich to ignore them.

Economic growth in the United States will average just 1.4 percent in 1983, whereas unemployment, which now stands at 10.8 percent (12 million people) will remain over 10 percent for the entire year.

The nation's budget deficit will total more than \$190 billion this year and is expected to hit \$300 billion in 1988.

Industrial production fell 8.2 percent in 1982 from its 1981 level, and this is regarded as the biggest drop since 1974. There was only a slight increase in arms production, which rose 2.1 percent this past December.

The most dramatic element in this picture, because of its domestic impact, is the \$40 to \$50 billion cutback in social programs in the 1983-1984 federal budget.

This has caused a wave of discontent and a plunge in the president's popularity.

According to a public opinion poll conducted by the Louis Harris Institute, 61 percent of the respondents are displeased with the way Reagan is running the country; 69 percent oppose his economic policies, and 56 percent feel that he should not run for reelection in 1984.

This is perhaps where the Republicans' problem lies.

Reagan just might be harboring the idea of scoring "a success" in some sphere of foreign policy to regain some of his lost prestige.

In connection with this we note that on 20 January the Israeli evening paper LEDIO AJRONOT published an editorial asserting that President Reagan "needs an immediate success in Lebanon and must get Israel to halt its settlements policy, because his programs have failed to resolve his country's domestic problems."

So it seems that U.S. Government leaders are currently weighing the possibility of launching some caper in either Lebanon or El Salvador, running the foreseeable risks in either case.

Washington's meddling in El Salvador has unquestionably come to what looks like a dead end.

Guillermo Manuel Ungo, the president of the Salvadoran Revolutionary Democratic Front (FDR), declared recently in Managua at the Fifth Ministerial Meeting of the Coordinating Bureau of the Nonaligned Countries, that the military balance is about to be shattered in El Salvador, which would hasten the people's victory.

Ungo also pointed out that the Salvadoran Government is rapidly falling apart in the midst of a worsening domestic crisis.

Radio Venceremos, the mouthpiece of the Farabundo Marti National Liberation Front (FMLN), reported a few days ago that guerrilla forces control 18 towns in Morazan and northern zones in the departments of Cabanas, Chalatenango, San Miguel and San Vicente and that the stable liberated zone covers more than 1,200 square kilometers and contains 100,000 inhabitants.

The regime headed by Alvaro Magana is being split by internal dissent and power struggles within the military, while the army's morale is waning.

Former Maj Roberto D'Aubuisson, the president of the so-called Salvadoran Constitutional Assembly, announced that Defense Minister Gen Jose Guillermo Garcia would leave his post within 3 months, which the general hastily denied at a press conference, clarifying that he would leave only if President Magana asked him to.

A Western news agency reported from Washington that the Salvadoran ambassador there, Ernesto Rivas Gallont, had submitted his irrevocable resignation to his government, which local diplomatic sources linked to the crisis in the Salvadoran Armed Forces.

It is not easy to understand why the U.S. Government is stubbornly determined to resolve the Central American crisis by force of arms, scorning the sensible proposals put forward by France, Mexico, Venezuela, Colombia and Panama for achieving a negotiated settlement.

Mexico's new president, Miguel de la Madrid, rejected military intervention and backed a negotiated settlement for Central America when he met this past 12 January with U.S. Democratic Senators John Glenn and Christopher Dodd, who were visiting several Latin American countries to assess their feelings towards the United States after the fighting in the Falklands.

The Mexican press linked De la Madrid's statement to the denunciation of Yankee meddling in Central America by the head of the Mexican Senate, Miguel Gonzalez Avelar, when he spoke at the fourth Mexico-Canada inter-parliamentary meeting.

Gonzalez Avelar asserted that "the internationalization of conflicts with clearly defined borders is unacceptable," adding that "it is unjust to use strategic defense pretexts to conceal strongarm solutions."

Prior to this, the foreign ministers of Mexico, Venezuela, Colombia and Panama met on Contadora Island to exchange views on several of the area's problems, especially the search for new moves to achieve peace in El Salvador, Honduras and Nicaragua.

The foreign ministers described as "unacceptable" the U.S. State Department's theory regarding the situation in Central America.

In a bulletin made public on the fifth of this month, at the conclusion of the meeting, the Panamanian Foreign Ministry expressed the general sentiment of the ministers in stating that "it is highly undesirable to place the Central American crisis within the context of the East-West confrontation," as the United States is endeavoring to do.

This is how the situation stands, and we can only hope that common sense will dictate the future moves of the U.S. administration.

A military invasion of El Salvador by Yankee troops would carry an enormous political cost for the United States and would have repercussions as great or greater than American intervention in Vietnam and its belligerence in the Falklands conflict.

Gone are the days when the Empire could maneuver its Marines like pieces on a political chessboard, based on the law of the jungle and with total contempt for public opinion.

If Reagan wants to get out of the hole that he has dug for himself, he had better seek another more sensible and less dangerous recourse than taking up arms in a highly explosive zone.

#### Establishment of Central Command

Havana VERDE OLIVO in Spanish 3 Feb 83 No 5 pp 14-15

[Commentary by Elpidio Valdivia: "The U.S. 'Central Command': Another Example of Imperial Policy"]

[Text] With obvious satisfaction in seeing one of their dreams come true, a group of American military commanders lifted their champagne glasses on 6 January to toast the future success of the Central Command during the ceremony inaugurating this new cog in the machine of worldwide aggression that the Reagan administration is putting together.

The strategic command unit officially began its operations that day, culminating a process set in motion in 1977 by former President James Carter, who ordered the formation of a Special Force to operate outside the North Atlantic Treaty Organization. In a clear confirmation of the Republican administration's foreign policy, the chairman of the Joint Chiefs of Staff, Gen John Vessey, asserted during the inauguration ceremony that the purpose of the new command was "to defend the major interests of the United States in 19 nations" in the Indian Ocean, Middle East and Horn of Africa regions.

His predecessor, Gen David C. Jones, was also explicitly imperial in addressing the issue before Congress in early 1981, when he asserted that "we are living in an era in which a coup d'etat, a major strike, a terrorist attack or a war in a remote area between squabbling neighboring countries could trigger consequences with worldwide repercussions that might adversely affect the well-being and national security of the United States and its allies."

National security, the alleged danger of communist penetration and the Soviet threat are key elements in the gut-level anticommunism of the current U.S. administration, which uses these arguments to justify to world public opinion, U.S. taxpayers in particular, its militarist plans, which run counter to world detente and peace.

"The Federal Government's number one priority is national security. Defense should be viewed in relation to what has to be done to guarantee our national security," the American president noted in mid-December in an interview with TIME magazine.

Elevating the Rapid Deployment Force to the level of a Command comparable to those already in Europe, the Atlantic and Pacific once again reveals the warlike course of the United States Government, which continues to try and dominate the world through military force.

The area of responsibility assigned to the Central Command (CENTCOM), as defined by General Vessey, comprises some 20 countries in the Near East, the Indian Ocean and the Horn of Africa, its boundaries extending from Pakistan in the east to Egypt in the west and from Iran in the north to Kenya in the south.

A glance at a map shows that the objectives of this command are a provocation and pose a serious threat to the progressive, revolutionary nations in the region, mainly Ethiopia, the People's Democratic Republic of Yemen, Syria, Libya and Afghanistan.

At the same time, they ultimately represent a threat to the national interests, security and stability of the countries in the command zone, which have become accomplices in the White House's militarist plans by giving the United States access to military bases and taking part with American Armed Forces in provocative military maneuvers.

Recent examples are the Bright Star (1981) and Tiger Jade (1982) exercises, which were designed to intimidate the progressive, revolutionary nations and the national liberation movements struggling for the legitimate rights of their peoples, such as the Palestine Liberation Organization and the Democratic Front for the Salvation of Somalia, to cite just two of them.

The creation of the Central Command reaffirms Washington's militaristic policy, which aims at dividing the world into military theaters of operation, even including outer space, where it also has designs.

Now, with this new step, Washington is attempting to maintain control over a new strategic zone, a resource-rich and turbulent zone, where from points of support and isolated bases it has now set up a theater of operations as part of its effort to increase its presence and create a combat infrastructure for the Rapid Deployment Forces.



In the Indian Ocean region alone the Pentagon has more than 25 military bases and installations and early last year it secured access rights to 21 such facilities in several countries in the region assigned to CENTCOM.

Some of these are: a naval base and three air bases in Oman; an air base in Saudi Arabia, though their ambition is to make use of all such Saudi installations; a naval base and an air base in Somalia; three airfields and a port in Kenya; a maritime enclave in Bahrain and several bases in Egypt, in one of which, Ras Banas, they plan to house two infantry divisions.

The government of the Sudan has also offered access to its bases, in a bid for more U.S. military aid.

The Staff of the new military command is stationed at McDill Air Force Base in Florida, though a Pentagon official noted at the command's inauguration that they hope to organize a permanent command outpost in one of the countries in the CENTCOM area.

The leading candidate for what would be a dubious honor in the Arab world (the host of this command post) is Bahrain, according to the 24 October issue of TIME, although local progressive forces are known to oppose a foreign military presence.

Some 250,000 army, navy and air force troops have been assigned to the Central Command; they will be on constant alert and "will become conduits of American influence," according to General Vessey.

The command has 4 divisions (2 airborne, 1 infantry and 1 armored) 3 Marine Corps amphibious brigades with their transport and landing equipment, 3 groups of strike carriers, 11 squadrons of tactical aircraft, 100,000 reservists and other units.

The plans are to double its forces over the next 5 years by adding three infantry divisions, one of them a Marine Infantry Division with air reinforcement, as well as five Air Force tactical combat groups, in addition to other expansions, according to reports published in the United States.

Political and military leaders in Washington have asserted outright that one of the basic arguments for the creation of the command was the need to safeguard access to the oil that is being produced in the region, which reveals the neocolonialist desire to control those nations' natural resources for the benefit of American monopolies.

Five of the "Seven Sisters," the transnational corporations that control the production, refining and marketing of oil in the West, are American.

The American press has asserted that the Arabian Gulf area is vital to the "industrialized democracies" and that more than 20 percent of

the United States' oil imports, 56 percent of Western Europe's and 68 percent of Japan's are from this important region.

The anti-Soviet thrust of the White House's foreign and military policies is obvious too, if we bear in mind that the theater of operations assigned to CENTCOM borders the USSR's southeastern flank.

A few months ago the Indian paper TELEGRAPH noted that the fleet of U.S. submarines based on Diego Garcia Island could launch long-range missiles with nuclear warheads at targets 1,000 miles away, which includes southern Siberia and most of the Asiatic republics of the Soviet Union.

The creation of the command cannot be disassociated either from the strategic cooperation agreements between the United States and Israel, from the American military presence in Lebanon and Egypt and from the military cooperation pacts that the Pentagon has established with Saudi Arabia and Jordan.

These are all components of a single effort to impose a Camp David-style settlement on the Middle East, benefiting the region's reactionary, pro-Western governments and to the detriment of the legitimate rights and interests of the Arab peoples.

The step taken on 6 January explains the recent conduct of American diplomacy, which even broke off the dialogue with the USSR on limiting military activities in the Indian Ocean, is countering Soviet proposals with delaying tactics and is ignoring the UN resolutions seeking to guarantee peace and security and the call for the area's demilitarization by the nations there.

The paper SOVIETSKAJA ROSSIA commented recently in this regard that the White House foreign policy chiefs were secretly laying the groundwork for the creation of the Central Command while making sure that Washington did not tie its hands with promises that it would later have to break.

Contrasting starkly with the Reagan administration's militaristic designs are the guidelines of the USSR's foreign policy, which are based on the peace programs for this decade that were approved at the 24th, 25th and 26th congresses of the Soviet Communist Party.

In these guidelines the Soviet party and State proclaim that "consolidating peace is the official philosophy of the USSR."

Pursuant to this statement of principles, the Soviet leadership has offered the United States numerous proposals for mutually acceptable agreements, based on parity and balanced security, in the negotiations on limiting and reducing the strategic arsenal and the medium-range missiles in the European theater of operations, among other examples.

Furthermore, the Soviet Union has made unilateral decisions to lessen tensions and the danger of a nuclear confrontation, such as its pledge not to be the first to use atomic weapons and its self-restraint in the deployment of medium-range SS-20 missiles in the European part of its territory, among other moves.

Nevertheless, since Ronald Reagan came to power, the United States has placed particular emphasis on taking arrogant stands aimed at thwarting the progress of negotiations towards agreements.

In contrast with the U.S. administration's wrongheaded stands, we should recall the words of the secretary general of the Soviet Communist Party, Yuri Andropov, to the most recent plenum of the party's Central Committee:

"Guaranteeing a solid peace and defending the right of peoples to independence and social progress are unwavering objectives of our foreign policy. I must state with all responsibility: Soviet foreign policy has been and will continue to be just as it was defined by the resolutions of the 24th, 25th and 26th congresses of our party."

Defense Minister Dmitriy Ustinov, a marshal of the Soviet Union, asserted a few weeks ago that "let no one interpret our spirit of peace as weakness and let no one try to speak to us in the language of threats and blackmail. We have absolutely no need of the land, wealth or anything else of others, but nor will we ever renounce what we hold dear, anything that we value highly and that we are proud of."

If this statement is not enough for the handful of Republican hawks running the United States today, it would be sensible of them to take note of the report by Yuri Andropov, the top Soviet leader, to the solemn session commemorating the 60th anniversary of the USSR last 21 December.

"We will never allow our security and the security of our allies to be threatened."

"The attempts to throttle socialism failed even in the days when the Soviet State was just beginning to gain strength and was the only socialist country in the world. They are that much less likely to succeed today."

8743

CSO: 3248/559

## MONETARY PROBLEMS OF THIRD WORLD ANALYZED

Havana GRANMA in Spanish 27 Jan 83 p 6

[Article by George Carriazo, researcher at the Center for World Economic Research (CIEM)]

[Text] Because the underdeveloped countries are dependent on the economies of the developed capitalist countries and on the world economy as a whole, these countries' monetary<sup>1</sup> and financial<sup>2</sup> problems are closely linked to the current situation in capitalist economies.

Now then, what was the situation in the world capitalist economy in 1982?

The world capitalist economy in 1982 was marked by serious problems for both capitalist governments and for international organizations such as the International Monetary Fund and the World Bank, among others.<sup>3</sup>

One of the prominent features of the world capitalist economy is inflation, a problem that is far from being brought under control in spite of harsh restrictive measures that have been applied in the main capitalist countries such as the United States and Great Britain. In order to reduce inflation the developed capitalist countries pursue restrictive monetary and credit policies that boost interest rates and further contract economic activity. These two side-effects, higher interest rates and a falloff in demand due to recession, are felt in the underdeveloped countries, which unquestionably pay a major part of the cost of these policies. The other part is paid by the working masses in the developed capitalist countries in the form of joblessness and a lower standard of living.

Unemployment is growing rapidly; eight percent in 1982, compared to five percent in 1979, was the average for the developed capitalist countries. The unemployment problem is so acute that it is regarded as more important than inflation, even from a political standpoint. World trade shrunk by about one percent in 1982.

Most countries recorded economic growth rates that were close to zero or negative in 1982.

The falloff in economic activity, a reflection of the crisis in the developed capitalist countries, has had unfavorable effects on the economies of both these countries and the underdeveloped countries. It has had an adverse impact on the demand for and prices of commodities and, therefore, on the export earnings of many underdeveloped countries, whose decreased purchasing power then further shrinks world trade.

These adverse effects have hurt the international payments positions of many underdeveloped countries, which are suffering from serious imbalances in their current accounts (purchases and sales of merchandise, services, profits and interest payments). The worsening current account situation is accompanied by mounting foreign indebtedness and debt servicing obligations, in view of the prevailing high interest rates.

Taken as a whole, the underdeveloped countries have seen their production growth rate decline from 6.5 percent in 1978 to just 2.5 percent in 1981, with a further drop expected in 1982. These production growth rates are hardly able to keep pace with population growth, which causes a drop in per capita output.

The developments in international trade and payments have also been adverse to the underdeveloped oil-exporting countries. The current account surplus of the oil-exporting countries dropped sharply from \$116 billion in 1980 to \$69 billion in 1981 and is expected to be below \$25 billion in 1982. This means a further reduction in the demand originating in this group of countries within world trade.

The by now traditional deficit of the underdeveloped countries that do not produce oil has been mounting heavily since 1978, when it hit \$39.2 billion, rising to \$99.1 billion in 1981 and leveling off at around \$100 billion in 1982.

These adverse developments in the current accounts of the non-oil-producing underdeveloped countries are mainly due to external factors such as: a) the falloff in economic activity and, therefore, demand in the developed capitalist countries; b) the resulting drop in commodities prices; c) the sharp rise in interest rates since 1979; d) the increased prices of manufactured goods, and e) the impact of the harsher conditions for borrowing (shorter payback terms, heavier debt servicing, etc).

These factors have, of course, led to an increase in borrowing and to a number of new trends in its makeup. The general features of the current borrowing are its rapid rate of increase, its privatization (most debts are owed to private international banks), tougher repayment terms and unequal distribution.

Latin America alone accounted for 46 percent of all Third World borrowing in 1982, with 80 percent of it concentrated in Mexico, Brazil, Argentina and Venezuela.

By late 1981 the total indebtedness of the underdeveloped countries had reached \$540 billion, of which \$327 billion was from private sources. By the end of 1982 the total debt reportedly amounted to \$640 billion, compared to some \$100 billion in 1973.<sup>4</sup>

From 1973 to the present, private international banks, which are essentially transnational, expanded their loan activity at an annual pace of 20 percent. They have played an expanding and, in the end, dominant role in financing the balance of payments deficits of the underdeveloped countries and in the flow of borrowed capital into these nations. They are thus taking the place and performing the functions of official institutions such as the IMF and the World Bank. This "privatization," a symptom of the official institutions' inability to meet the underdeveloped countries' needs, has made borrowing more expensive and made payback terms even harsher.

The larger balance of payments deficits caused by the world economic crisis and the scarce sources for financing them have triggered a rise in foreign borrowing, especially from the transnational banks. For example, the medium- and long-term debt of the non-oil-producing underdeveloped countries increased by 60 percent from late 1978 to late 1981, totaling some \$440 billion. To this we should add the \$100 billion in short-term commercial debts, which have expanded rapidly in recent years and thus shortened the average payback period. Around three-fifths of the total debt is owed to transnational banks.

These countries' debt servicing payments will soak up an average of 23 percent of their export earnings in 1982, compared to 17 percent in 1978. More than half of this increase is due to larger interest payments. Interest payments will be \$3 billion higher in 1982 than in 1981, which represents 1 percent of these countries' total export earnings.<sup>5</sup> As export prices continued to ebb and as import prices kept on rising, the terms of trade of the non-oil-producing underdeveloped countries worsened again in 1982 for the fifth straight year, the total decline in this indicator being 12 percent since 1978.

The underdeveloped countries are in a bind, having to cope with mounting debt servicing payments, falling external demand and a pronounced worsening of their terms of trade.

The underdeveloped countries are faced with additional difficulties connected with the current crisis. Aid in the form of soft loans from the developed capitalist countries has not increased in real terms over the past 10 years. Official development aid has averaged no more than 0.35 percent of the gross national product of the developed capitalist countries. This is just half of the goal proposed by the United Nations a decade ago and accepted by these countries.

On top of this is the Reagan administration's foreign policy, which calls for breaking the United States' foreign "aid" commitments. As a result of the cutback in U.S. contributions and of the similar

stand taken by other developed capitalist countries, the World Bank's Agency for International Development (AID), the only source of soft loans, pared back its operations in 1982 by more than \$1.5 billion.

The rising value of the U.S. dollar has created additional monetary problems for the underdeveloped countries.

The high interest rates in the United States, fueled by the current administration's restrictive monetary policy, have strengthened the dollar vis-a-vis other currencies. From October 1980 to August 1981 the dollar appreciated 22 percent on the average. This makes the situation worse for the countries whose currencies have weakened against the dollar (all of them underdeveloped). All imports become more expensive, including energy sources, and their terms of trade worsen.

The underdeveloped countries' heavy debts, the harsher repayment conditions and the adverse impact of the crisis have forced them to seek a rescheduling of what they owe. In 1981 a total of \$10.8 billion in debts were rolled over. In 1982, 21 Third World countries renegotiated \$40 billion of their debts. In 1982 alone, this same group of countries had to make some \$244 billion in loan payments.<sup>6</sup>

The differences of opinion between the developed capitalist countries and the underdeveloped nations came to the surface during the Annual Joint Meeting of the IMF and World Bank in early September in Toronto, Canada.

At the meeting, the underdeveloped countries, represented in the IMF by the Group of 24, demanded a worldwide recovery program to stimulate noninflationary economic growth. Such a program would require concerted efforts from the developed capitalist countries to dismantle protectionist barriers, to cut military spending and to redistribute these funds in the form of official development aid.

The underdeveloped countries criticized the IMF's policy of tying loans to the adoption of restrictive economic measures by the borrower nations. These strings ignore the true structural nature of the problems besetting these countries today, as well as their dependency on external factors that are totally beyond their control.

In addition, they demanded an increase in their voting power in the IMF to 45 percent of the total and called for a doubling of the IMF's total funding. These measures are aimed at increasing the underdeveloped countries' access to the institution's funds, in keeping with their urgent financing needs in the 1980's. Furthermore, they denounced the United States' use of AID funds to pressure and blackmail the underdeveloped world and condemned the demands that they "tighten their belts further."

The United States has come out against the proposals put forth by the underdeveloped countries in the IMF. The alternative it suggested

was to create a special fund for unusual cases such as Mexico and Argentina and an increase in overall reserves of no more than 25 percent. The U.S. stand is consistent with the current administration's hardline policy of making the Third World bear the brunt of the crisis. The fund would be used only in emergencies and with the prior approval of the United States.

Nonetheless, in view of the pressure from the underdeveloped countries and even from the developed capitalist countries for an increase in IMF (in other words, U.S.) funding, it will have to take an official stand on boosting funding shares in April 1983.

Although everyone realizes that an increase in IMF funding will not take care of the heavy deficits that the underdeveloped countries have accumulated or enable many countries to pay off their mounting debts, capitalist financial circles feel that this step could make private international banks confident enough to continue pumping money into the system.

This is the major dilemma at present! Faced with the threat of a breakdown in the world financial system due to the enormous debts of the underdeveloped world and the insolvency of these countries, the banks might stop lending, which would throttle international trade and the world capitalist economy.

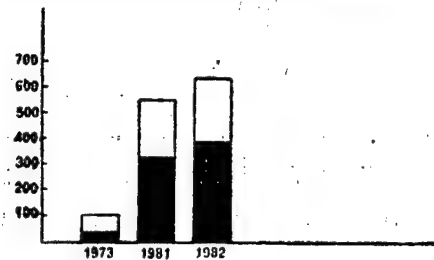
Concerted action by the governments of all interested countries seems inevitable and urgent if a major catastrophe is to be avoided. As an editorial in an American newspaper asked in recent days: "They say war is too important to be left up to the generals. So, can the responsibility for assuring the world's financial stability be left solely up to the bankers?"

#### FOOTNOTES

1. Problems connected with the money supply as such, in other words, the value and issuances of currency, monetary reserves and their makeup in various media of exchange.
2. Involving capital inflows and outflows, debts principal, interest payments, etc.
3. 1982 Annual Report, International Monetary Fund, Chapter I.
4. MAINICHI DAILY NEWS, 12 September 1982.
5. IMF Survey, 20 September 1982.
6. NEWSWEEK, 20 September 1982.



**CRECIMIENTO DE LA DEUDA<sup>(1)</sup>  
EXTERNA TOTAL DE LOS  
PAISES SUBDESARROLLADOS**  
(MILES DE MILLONES DE DOLARES)

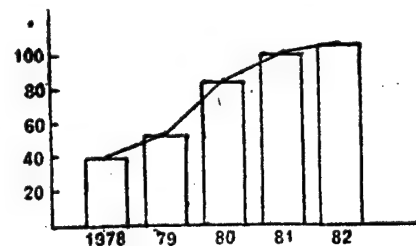


□ Proveniente de instituciones oficiales (2)  
● Proveniente de bancos privados (3)

Key:

1. Rise in total external borrowing by the under-developed countries
2. From official institutions
3. From private banks

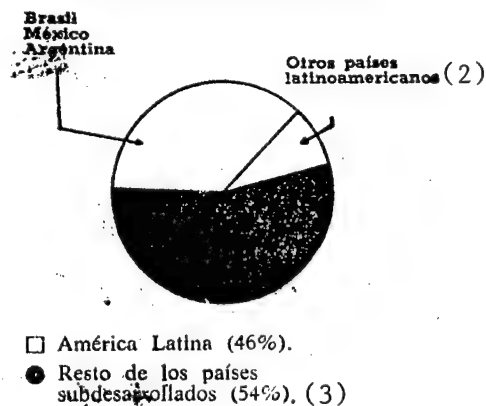
**DEFICIT EN CUENTA  
CORRIENTE DE LOS PAISES (1)  
SUBDESARROLLADOS NO  
EXPORTADORES DE PETROLEO**  
(MILES DE MILLONES DE DOLARES)



Key:

1. Current account deficit of non-oil-producing under-developed countries

**DISTRIBUCION DE LA DEUDA  
EXTERNA DEL TERCER MUNDO (1)**



Key:

1. Breakdown of the Third World's external debt
2. Other Latin American countries
3. The other underdeveloped countries

## MACHADO VENTURA ON IMPROVEMENTS IN PARTY'S ORGANIZATIONS

Havana GRANMA in Spanish 5 Jan 83 p 2

/Interview with Jose R. Machado Ventura by Enrique Sanz Fals, date and place not specified/

/Text/ For some months now our party has been working on improving the structures of its municipal committees and on ways to serve the party rank-and-life organizations. Because of the interest that this process has generated among our membership and of the importance it represents for the latter and all the people, we have interviewed comrade Jose R. Machado Ventura, member of the Party Politburo and Secretariat, who is in charge of the Central Committee's Organization Department.

In his replies, Machado Ventura offers broad information and details about this work of current importance in the life of the Communist Party of Cuba.

Following is the complete text of the interview granted for this section:

Question: We know that the party has been working on improving the structures of its municipal committees and on ways to serve the party rank-and-file organizations. We should like that you explain to GRANMA readers what this work consists of and what steps have been taken to implement it?

Answer: Essentially, it concerns the application of a new concept concerning management, guidance and control of the party rank-and-file organizations by the municipal committees.

As is known, over the past few years our party has had a noteworthy development, both from a quantitative and qualitative point of view. Actually, it means that rank-and-file organizations exist in almost all the country's important work places and that representation of workers and others directly linked to production, services and education has increased decisively in the social composition of such organizations.

The political, ideological and cultural development now possessed by our members and candidates is much superior and, from an organizational viewpoint, our cells and committees are in good condition to tackle successfully the tasks they have been assigned by the party higher bodies and organizations.

An analysis of these aspects precisely was what led the party higher organizations to the conclusion that it was necessary to pursue new work methods and mechanisms that would permit more and better guidance and control of rank-and-file organizations; that would help, therefore, to raise decisively their role and influence within the labor collectives where they are established, in relation to the real power they represent in such collectives.

To achieve the proposed objectives, it was decided to make the service of municipal party cadres to rank-and-file organizations more direct, stable and complete, and to assign a group of these comrades almost exclusively to this work.

Consequently, the result was a logical change of structures of the auxiliary mechanisms that had existed at that level until a few months ago based on the existence of specialized departments and sections.

Of course, the municipal committee and its executive bureau remain in the municipalities, as well as a group of specialized officials. The latter primarily are in the areas of organization and ideological work, taking care of all those tasks which the party has to do throughout the municipality and maintaining the necessary relations with state organizations and with the UJC /Union of Young Communists/ and mass organizations of the area.

The process began to be implemented in all the country's municipalities on 10 September 1982, when the Politburo made these decisions, and it is practically completed. An important part of this work has been the selection and training of cadres that will assume the new responsibilities.

Question: From what we can see, a new position of professional cadre--that of instructor--is created in the municipal committees. What is an instructor and what are his duties and obligations?

Answer: As I said before, a group of professional party cadres in the municipal committees devotes itself to providing complete and stable service to rank-and-file organizations. These cadres precisely are the instructors, who are responsible for serving a specified number of party cells or committees.

The nature of the instructor's responsibility is his educational work with the rank-and-file organizations; that is, supporting and guiding them in the performance of their missions; helping to make correct interpretation of party documents, standards and guidance; always helping them to find the fundamental link of their work; and seeing to the political, ideological and cultural development of party members and candidates, especially of cell or committee leaders.

By establishing a stable link with rank-and-file organizations, the instructor must help them by explaining didactically the resolutions and instructions of higher party organizations to which, in turn, he will submit in a dynamic manner all concerns, proposals or requests of the cells or committees. At the same time, he will be responsible for ensuring that they receive an adequate reply.

To perform his mission, the instructor will participate systematically in meetings of the rank-and-file organizations he serves. He will contact their leaders whenever necessary. He will attend production meetings or other mass activities held at the work places where the cells or committees under his responsibility are established. Moreover, whenever he deems it necessary he will meet with administrative, labor and UJC officials and with workers.

As can be seen, the work of an instructor is quite extensive and it is not going to be limited to a specific field of work. On the contrary, it will have to cover all the tasks the party is facing everywhere, be they of an organizational and ideological nature or concerned with production, education, services and so forth. Therefore, these comrades will be directly subordinate to the municipal committee's executive bureau, which will have the responsibility for meeting with them regularly, at least once a month, to guide them and to learn the progress of their work. They will be served by one bureau member for control of their daily work.

Question: Why have these changes or modifications been made?

Answer: The reasons for implementation of this new work concept and consistent improvement of the structures of municipal committees, must be sought, as I said before, precisely in the needs raised by the quantitative and qualitative development of the party in recent years.

The previous structure and the work methods that were being applied responded to a specific period of our party's development. Over a period of time, they played a progressive role whose results meant important advances in the fields of party activity. Nevertheless, they did not fit in with the new work requirements.

Question: What immediate benefits will this process bring to party work in general and specifically to the work of its rank-and-file organizations?

Answer: Among other important aspects, the immediate benefits from application of this work concept will be greater and better attention to and control of the work of rank-and-file organizations; frequent contact with them and faster response to their concerns and opinions; superior assistance to their leaders so that they can cope with their responsibilities; better relations of professional party cadres with everyone at work places, both management and workers; and more knowledge about members and leaders at the grass roots.

Logically, that should result in raising the influence of the rank-and-file organization within the labor collective to which it belongs. This, in turn, should result in greater effectiveness of the organization's ideological, organizational and mobilization work and, therefore, in the fulfillment--quantitatively and qualitatively--of established plans and goals.

Question: We understand that this work also has led to having more professional party cadres for party committees at work places. What criterion has prevailed on this and what has been the result?

Answer: The Politburo decided to assign professional cadres to manage party work in a group of the country's most important enterprises and work places that have rank-and-file organizations made up of a large number of party members and candidates. It was done so that the cadres, by devoting themselves only to party work, could help to increasingly raise the quality and effectiveness of the work of cells and committees, primarily in terms of political-ideological work and of support and control of administrative work.

As a result of this decision, professional party cadres will be located at most of the agroindustrial complexes of the sugar sector, other important industries, agricultural-livestock enterprises, universities and other schools; and also at the country's largest hospitals, at brigades or enterprises that carry out the fundamental investments for our economic development, and so forth.

The work of these comrades, along with that of the instructors, ensures that all party cells and committees in a municipality are served completely and consistently by professional party cadres.

Question: Does this work entail rationalization or increase of the staff of cadres of municipal committees?

Answer: When work started to adjust the structures of municipal committees to the new work concepts I have explained, it was not based on a criterion of rationalizing the number of professional party cadres. The prevailing criterion was to approve in each place the staff that was strictly necessary to meet the proposed objectives.

In this regard, it is important to stress that nationally drafted plans were not employed to determine the structure and staff of the country's various municipalities. We can say that the procedure was the other way around: each municipality made its own proposals based on its own characteristics and needs, and the responsibility of higher organizations consisted solely of adjusting them whenever unjustifiable disproportions were noted between very similar municipalities.

The result is that the municipal structures were improved, a considerable number of professional cadres were assigned to the party committees and, nevertheless, a slight reduction was made on the previously approved staff.

Question: Has the experience of other fraternal parties of the socialist camp been used to apply these changes or have these been based exclusively on our own experiences from party work over these years?

Answer: In the studies that preceded the Politburo's adoption of all these decisions, much consideration was given to the various experiences of fraternal parties of the socialist community, which turned out to be invaluable for us.

On the other hand, the evaluation of experiences accumulated by our party, the level of current development of our departments and organizations, and the training of party cadres, members and candidates were, of course, decisive elements when the time came to choose the best solutions to our current problems.

Therefore, to summarize my answer to your question, I would say that it was the creative application of various successful experiences of other fraternal parties of the socialist camp, adjusted to our own conditions and level of development.

Question: Do you wish to add anything else which you consider of interest concerning this process?

Answer: Implementation of all these ideas is quite recent. Therefore, we cannot speak of results yet. However, in meetings and individual contacts I and other comrades of the party leadership have had with leaders and cadres of municipal and provincial committees and of rank-and-file organizations, we have noted a magnificent understanding and reception of the Politburo resolutions on this matter. Therefore, we are certain that they will be implemented successfully. The result will be not only higher party influence in our entire society but also, and very especially, establishment of a decisive thrust to all the tasks of building socialism in our country.

9925

CSO: 3248/510

## COMMENTARY VIEWS U.S. IMMIGRATION POLICIES

Havana GRANMA in Spanish 29 Jan 83 p 8

/Commentary by Oscar Ferrer: "Promised Land or Prison for Undesirables?"/

/Text/ The U.S. Government has historically employed for its own benefit the arrival of immigrants to its shores who, coming from the most remote corners of the planet, believed they were coming to the "promised land."

The arrival of these citizens from different countries has, of course, not been casual. They have been influenced by propaganda which during the decades has pictured the United States as the idyllic place, the promising land able to assure to all the material and spiritual wealth man needs to reach his full happiness.

But, in practice, nothing is more false and unattainable. All immigrants arriving on U.S. soil can see their dreams poorly satisfied when, in the United States, two native ethnic groups--Blacks and Indians--have been unable to avoid being treated as second class citizens in their own country, more than 200 years after the proclamation of independence.

An unwanted immigrant will never be the same in the United States as an immigrant recruited in the mold of the well known imperialistic policies of "brain drain," for example.

This familiar "brain drain," which has brought the United States big dividends, which makes use in this way of technicians, scientists and professionals in whose education the United States has not invested one cent, has had a double origin.

One has been the interest of transnationals and of U.S. Governmental institutions in obtaining promising, or already dedicated, professional services without thinking about the vacuum they leave in their native country. Another, of a political nature, has been aimed at leaving the country without specialists whose behavior has displeased Washington. An historically recent example came about due to the triumph of the Cuban revolution, when the United States, desirous of bringing about paralyzation of our country, worked in favor of leaving Cuba without physicians and other professionals. The maneuver, while it brought about the desertion of some thousands of stateless persons, culminated in a complete failure of White House anti-Cuban policies.

Now outside the "brain drain" framework, U.S. policies related to Mexican immigrants, who are admitted or expelled, according to the need for cheap manual labor in southern United States, is also well known.

Very different, logically, is the lot of the Mexican wetback--who is thrown out when he is no longer needed--or that of a scientist, be he European, Asiatic or Latin American--if the armaments industry, for instance, requires his experience or knowledge.

A cablegraph office of the U.S. Associated Press (AP) agency yesterday brought a report supplied by the U.S. Department of Justice and which stated that some 1,100 citizens of Cuban origin, inmates of the federal prison in Atlanta, have no rights under the Constitution of that country.

That statement, contained in a report presented before the federal district court, purported without reservation that the "power to detain foreigners for long periods of time in the application of our immigration laws is, in this instance, a function of our sovereign right to exclude foreigners (from this country), combined with our inability to rid ourselves of them."

That is to say, that in the same country that steals "brains" when it is convenient, jails other foreigners when the immigration authorities consider them undesirable. A similar case has also happened in recent months with thousands of Haitians who arrived on U. S. shores.

This permits asserting that the United States, in the final analysis, is not the land of promise for everyone.

9908

CSO: 3248/511



## DAY OF SOLIDARITY WITH SALVADORAN PEOPLE HELD

Havana GRANMA in Spanish 22 Jan 83 p 3

/Article by Jesus Mena/

/Text/ On behalf of the World Front for Solidarity with the Salvadoran people, we call on all nations of the world, honest and progressive people of the world, the people of the United States itself to halt the aggression against the peoples of Central America and to stop the blood shed among the Salvadoran people, said Jorge Gallardo, a member of the permanent bureau of this organization, last night on summarizing the ceremony which ended the day of solidarity in our country with the fraternal nation.

Thousands of persons, including many representatives from Asia, Africa, Latin America, Middle East, Europe, socialist countries and people in general, began their long march from the Cuban Institute for Friendship with Peoples (ICAP), to the permanent representation headquarters of the Farabundo Marti Front for National Liberation of El Salvador at 26 and 23 Vedado, where they came intoning revolutionary slogans.

"If Cuba won, El Salvador will win! If Nicaragua won, El Salvador will win! Stop intervention, Free El Salvador! were some of the slogans sung by groups and raised on dozens of placards during the long walk and the ceremony itself.

In his talk, Gallardo referred to the ceremony as a symbolic demonstration of the feeling of solidarity that we feel for just causes, as in the cause of the struggle of our Salvadoran brothers, a struggle for which our people feel a great admiration, respect and affection.

This admiration, respect and affection, he said, has been won by tenacity, daring and heroism by revolutionary fighters and by all the Salvadoran people.

ICAP's vice president also gave an historic recount of the causes that gave rise to the Salvadorans' present revolutionary struggle and he pointed out that the month of January is replete with important dates for that nation, among which he mentioned today's 51st anniversary of the popular insurrection headed by the distinguished son of that people: Agustin Farabundo Marti, reason for which the World Front chose 22 January for holding this demonstration of international solidarity for remembering that patriot, for remembering

the fallen heroes and martyrs in the struggle and in solidary support for the revolutionary struggle which the Salvadoran people are engaged in.

He said that today the danger that the U.S. Government may intervene with troops in Central America prevails. We, the nations of the world and the progressive and solidarity movements, he remarked, have the immense task of preventing and putting a stop to the intervention of the escalation of imperialist aggression.

Faced with this real danger, Gallardo finally made it obvious that on the bicentennial of the birth of Simon Bolivar, the 130th anniversary of the birth of Jose Marti, the 30th anniversary of the assault on the Moncada Barracks, the 90th anniversary of the birth of Augustin Farabundi Marti, we affirm our militant and revolutionary solidarity with our Salvadoran brothers in their heroic struggle.

On her part, Silvia Martinez, a member of the permanent representation of the FMLN in Cuba, thanked this awesome show of support for the struggle of her people and she declared that international solidarity of the peoples fighting for democracy and the forces that day to day snatch new victories from the enemy forces of the people have taken one more step toward the creation of the World Front for Solidarity with El Salvador and she assured that imperialism will not succeed in her country.

9908

CSO: 3248/511

## PATROL TO ENFORCE FISHING REGULATIONS

Havana GRANMA in Spanish 21 Jan 83 p 3

/Article by Fernando Davalos/

/Text/ Fishing areas in waters near Cuba, which are included in our maritime economic zone, will be subject to a naval patrol for verifying compliance with lawful regulations for the closed season for different species and the authorized ways and means of catching them.

The Ministry of the Fishing Industry (MIP), which in recent years had developed a careful "package" on fishing provisions, designed to protect maritime life and its habitat in our waters, has considered including some ships for that purpose.

MIP, at the request of its director of fishing industries, is also studying a kind of speedboat for such purposes, more appropriate for patrolling.

The zones in which these checks will be started are those in the Surgidero de Batabano-La Coloma-Nueva Gerona triangle, to the south of Havana, Pinar del Rio and Matanzas, also to the south of Ciego de Avila, Camaguey and Las Tunas and to the west of Granma, in the gulfs of Ana Maria and Guacanayabo, and in the insular shelf segment to the north of the central provinces.

Observation during closed season periods for lobsters, "biajaiba," snail, shrimp, Mindinao crabs, chelonians and other species is necessary in order to keep up the national fishery potential which is basic to the country's economy since these resources are represent valuables in feeding the population and in exports.

It also helps in the preservation of the species and the use of tackles and techniques in fishing that are not permitted will be the object of inspection by MIP, is, for example, smaller size mesh in nets and catching specimens in non-commercial sizes.

Fishing inspectors, moreover, will be eager to carry out the rules in the non-commercial fishing law and other regulations ordered by the government and the Ministry of Fishing Industry bent on preserving these biological and economic resources of the nation.

## BRIEFS

THREE NEW TELEPHONE EXCHANGES--The National Telecommunications Administration (ANTEL) will inaugurate three telephone exchanges located in Montebello, Ciudad Merliot and LD-2 at an approximate cost of 21 million colones. With this novel system, ANTEL will provide more traffic capacity for subscribers and connecting networks for an initial 3,000 subscribers in Ciudad Merliot, 5,000 subscribers in Montebello and 4,096 linkups in LD-2, with capacity for additional growth in the three exchanges. Montebello and Merliot are local exchanges, with the latter acting as main exchange in control of the subordinate exchange of Altamira. LD-2, a long-distance exchange, will connect the feeder lines with the rest of the exchanges of the country and abroad, improving to a great degree the traffic of the interurban service among all the automatic exchanges and the international connections with the Central American Regional Network and the rest of the world. They constitute facilities of great scope, and their benefit to subscribers and users is of great importance. As a result, ANTEL is the only state enterprise in charge of the national and international telecommunication service for all the inhabitants of the republic, and the main goal of this organization is to provide greater communication facilities by means of the planning, implementation, maintenance, management and exploitation of the services in question. [Text] [San Salvador DIARIO LATINO in Spanish 22 Jan 83 p 2] 8414

UNIVERSITY SALARIES REINSTATED--The Constituent Assembly repealed Decree 603 issued by the Revolutionary Government Junta which suspended the salaries of the chief officials of the University of El Salvador. As a result of that decree, the salaries of the rector, vice rector, deans of colleges and treasurer were suspended. The suspension has lasted for 2 years, and their pay will be resumed starting in the current month of February. When reporting the resumption of their pay, the university officials announced that they will intensify their efforts to have the installations of the University City returned in order to enable that top center of learning to perform its tasks fully. They will also advocate a readjustment of its 1983 budget, which has been trimmed by more than 20 million colones. [Text] [San Salvador DIARIO LATINO in Spanish 10 Feb 83 p 10] 8414

NEW GASOHOL PLANT--The Ministry of Planning will carry out the fuel alcohol plant project using sugar cane molasses as raw material at an approximate cost of 30 million colones, according to Manual Antonio Robles, the head of that ministry. To find out the details of the project in question, representatives of the national alcohol industry met with planning officials and technicians who explained that the raw material for the production of fuel alcohol is a by-product of the sugar cane industry which, it is foreseen, will provide enough of an export surplus for its industrial utilization. Planning technicians said that the fuel alcohol plant will not affect in any way the national alcohol industry or the cattle industry, inasmuch as they belong to important sectors of our economy, and while no foreign exchange will be obtained when the export of molasses is suspended, that will be amply compensated by the savings in foreign exchange when the finished product (fuel) is not imported. In keeping with the product's market, it is estimated that the maximum ratio of alcohol to gasoline should be 20 percent, and the project will merely put out between 9 and 10 percent, with which the motor vehicles will not need to adjust their engines. It was said that foreign financing for the project comes from the Investment Fund of Venezuela in the amount of 29,762,500 colones for a term of 20 years, including a 5-year period of grace, at an interest rate of 2 percent annually on the balance of the amount. The plant will have a production capacity of 60,000 liters per day. [Text] [San Salvador EL MUNDO in Spanish 7 Feb 83 p 3] 8414

CSO: 3248/522

COUNTRY SECTION

HONDURAS

BRIEFS

MILITARY ACADEMY DIRECTOR--Lt Col Francisco Ruiz Andrade has been appointed director of the Military Academy of the North. The newly-built academy was dedicated by Gen Gustavo Alvarez Martinez, armed forces commander in chief. [PA071411 San Pedro SULA TIEMPO in Spanish 23 Feb 83 p 8]

CSO: 3248/574

## SNTE 13th CONGRESS MEETS IN COZUMEL

## Disturbance at Outset

Mexico City EXCELSIOR in Spanish 1 Feb 83 p 10-A

[Text] In the absence of tighter controls by the representatives of the Revolutionary Vanguard of Teachers, which is headed by the governor of San Luis Potosi, Carlos Jonguitud, last night's opening session of the 13th Regular National Congress of the SNTE [National Union of Education Workers], with President Miguel de la Madrid in attendance, threatened to turn into a scene of conflict.

The vanguard, which said that it would allow dissenting views, failed to keep its word and denied entry to the delegates from Chiapas and Oaxaca, who shouted to be let in as the SNTE secretary general, Ramon Martinez, was delivering his welcoming speech to the chief executive.

The shouts of "Chiapas and Oaxaca want to join the meeting" drowned out Martinez Martin, while at the table of honor Jose Luis Andrade urged the people inside to dampen the dissidents' spirit.

The meeting, which was attended by fewer than the 800 announced delegates, became completely disorderly, as some in the audience began calling for silence while others started applauding for no reason.

Close to the president, Public Education Secretary Jesus Reyes Heróles looked on at the spectacle, the outcome of which many were unsure of, given the lack of control.

Nevertheless, moments later the president himself brought the meeting back to order when he described what Mexico's education program would be over the coming 6 years. Tempers were calmed, and uninterrupted applause began.

## DLM Calls for Unity

Mexico City EXCELSIOR in Spanish 1 Feb 83 p 1-A, 10-A

[Article by Isabel Zamorano]

[Text] Cozumel, Quintana Roo, 31 January--The nation's democracy cannot be based on violations of individual, union or class rights; it must

be built through the actions that the government and society take to guarantee and defend the rights of all men and social groups, President Miguel de la Madrid stated today in pointing out to the nation's teachers that they ought to end the divisions that are weakening them and join in the effort to rescue the country from its crisis. He assured them that the decentralization of the system would respect their labor and union rights.

In inaugurating the 13th Regular National Congress of the Education Workers, President De la Madrid spelled out the goals that Mexico is pursuing in the field of education, in keeping with the guidelines of Article 3 of the constitution, and told the delegates that each group (trade union, civic or political) must contribute its own efforts to the democratization process in which we are engaged and which goes hand in hand with the process of modernizing the country.

He told the delegates that in this time of crisis, teachers, like all Mexicans, must transcend minor dissent and become involved in the major tasks that pose demanding challenges in difficult times.

He asserted that this period of change offers us the opportunity to carry out a revolution in education; in other words, we can now strengthen our fundamental values, eliminate millstones and faulty routines, combat administrative inefficiency, gear education to the new conditions of society, enhance the quality of education and abolish illiteracy once and for all.

In addition, we can continue to use education as a tool to achieve social equality and as the basis for the moral renovation of society, but to do all this we must exalt the mystique of teachers, based on a recognition of their dignity and on fair treatment of them.

The president acknowledged the role that teachers have played in the building of our nation, from the time of its independence to the present, asserting that the government would continue the respectful and fair treatment that has always characterized its relations with teachers.

The chief executive reiterated that the government and the nation's teachers would work together, though without encroaching on each other's area of responsibility, to resolve the problems plaguing the unions and education policy.

He repeated his pledge to pursue the nation's education policy in a permanent dialogue with its teachers. He asked them to be the pioneers of the new society that must be born of an effort that requires patriotism, rationality, hard work and hope. "Being a teacher," the president remarked, "entails a serious responsibility, because you are not just professionals, you are activists too."



## Decentralization Indispensable

The meeting was held at the Cozumel Convention Center, near the main square.

President De la Madrid told the teachers attending the congress that administrative decentralization is something that the nation and its people demand and to meet this demand he made the decision to give local government the responsibility for running preschools and primary, secondary and teacher training schools, which the Federal Government has been in charge of in recent times, thus returning, of necessity, to the original arrangement under the 1917 Constitution.

He stressed that the decentralization of education should be viewed not as an isolated act by government but as part of an overall strategy that will touch all aspects of Mexican life.

"We want it to be done through gradual, concerted action, not suddenly," he said.

"But," he added, "I want to state categorically, to clarify good faith doubts and dispel unfounded suspicions, that this form of organization is not designed to infringe on the rights that teachers have won in hard-fought battles nor to interfere in the internal handling of union affairs.

"The nation's democracy cannot be based on violations of individual, union or class rights; it must be built through the actions that the government and society take to guarantee and defend the rights of all men and social groups."

## A Commitment to Education

De la Madrid reiterated his conviction that education and teachers and indissolubly linked and that in a country like ours, with its deep-seated nationalist tradition, the collective will of teachers is expressed through their union organization.

He repeated his commitment to the cause of education and to the cause of teachers, urging them to better and more enthusiastically perform the tasks involved in teaching, which goes beyond the classroom to fair-handed political activity as an ongoing reflection on social dynamics and as a form of participation in unions, parties and the entire national community.

He reminded the teachers that the goal of education is to create a frame of reference for understanding and becoming part of reality, not just to transmit knowledge in isolation, and that on the basis of this approach the Mexican Government gives top priority to education policy because it realizes that it is the main engine of national development.

Revolutionary education, which is the starting point for the process of modernizing the country, is based on Article 3 of the Constitution and is consistent with the sector's national organization.

This is the philosophy that we espouse and reaffirm, he said. Education will continue to help build a society of free men who practice democracy as their way of life and who assert their indestructible commitment to nationalism and social justice.

#### Firm System of Values

President De la Madrid reminded the delegates that Mexico is not groping in the dark or searching for political or pedagogical doctrines; it has firm values and an educational system that is based on clear-cut liberal traditions and that is constantly changing without losing touch with reality.

"I am fully aware that Mexico's destiny hinges on education. My administration recognizes that the nation's education policy merits top priority and therefore bases the moral renovation of society on it."

For all these reasons, he added, in order to carry out a revolution in and for education, it is indispensable to exalt a new mystique for teachers, based on a recognition of their dignity and on fair treatment of them.

President De la Madrid concluded by expressing his hope that the government and the organized teachers would work closely together and that teachers would continue to be an unshakable foundation of our institutions.

#### CNTE, MRM Reaction

Mexico City EXCELSIOR in Spanish 2 Feb 83 p 28-A

[Article by Rogelio Hernandez]

[Text] Heeding the president's appeal, dissident teachers yesterday agreed to end the union split and fight bureaucratization, low academic levels, ununiform teaching methods and low professional standards, which are causing alarming deficiencies in education.

The members of the National Coordinating Committee of Education Workers (CNTE) and the Revolutionary Movement of Teachers (MRM) pointed out that in order to achieve these comprehensive improvements in education (in other words, social, political and union), rank-and-file teachers must be respected, the integrity of the union preserved and mechanisms established to enable the majority to participate democratically in the union and in drafting study programs.

The chief executive's appeal to end the split in the SNTE so that teachers could undertake more important tasks, caused uncertainty in the CNTE and the MRM, the oldest organization affiliated with it, "because Carlos

Jonguitud and his Revolutionary Vanguard group could view it as an opportunity to crack down on their opponents."

Nevertheless, "to demonstrate that the dissidents are a genuine, mature union faction with a democratic blueprint for education," they proposed that before decentralizing the educational system and pursuing the policy outlined by President Miguel de la Madrid, "a nationwide discussion among all interested sectors be held, to guarantee its efficiency."

#### Vanguard Must Understand

Hector de la Cueva, the representative of Section 10 in the CNTE, recalled that some days before all of the organization's representatives got together and reached a consensus that the new era in education requires the involvement of rank-and-file teachers "in their union and in studies planning, thus eliminating bureaucratic methods."

He added that they also came out in favor of having parents and social and political organizations take part in the discussion, especially on the the Federal Government's initial plans, through appropriate forums at which all proposals are shown respect.

De la Cueva, who until recently was the spokesman of the CNTE, predicted that Revolutionary Vanguard would be incapable of responding positively to the president's appeal and that, as usual, it would recognize the democratic faction verbally and even in writing and then later break its pledges and continue "its gangland methods."

No one could be opposed to ending the dissent within the SNTE, but it must be done democratically, the teachers union leader added, and this is certainly a condition for enhancing education.

He also brought up the fears that are plaguing the group because of the imminent decentralization of the basic education system, because "it strikes at the integrity of the union, which would be a legal and social setback; it jeopardizes education itself, as long as the states are not in a position to deal efficiently with the economic, infrastructure, instructional and organizational aspects of education; and it would also detract from the gains that teachers have made over many years if it is not carried out correctly."

The MRM issued a communique pointing out "the continuing stubbornness of Revolutionary Vanguard as the strength of the democratic program grows: it breaks agreements it has signed, agreements both to submit teacher salary and fringe benefits demands and to respect the outcome of elections, and it continues to use its funds to install sectional and delegation leaders, as it did with the delegates to the 13th Congress, and at the congress itself it has tried in every way to prevent the 71 members of the CNTE from speaking up both at and outside the meeting."

The MRM agreed with De la Cueva in pointing out that a precondition for ending the split among teachers is to accept, respect and acknowledge dissent within the union and to alter the methods of participation both in the National Executive Committee and in the intermediate leadership bodies.

They both cautioned that if in spite of the "mature" attitude that the CNTE has shown, the congress does let it enter the union structure and does not give it the chance to take part in planning and improving the system of education, "it would be causing greater discontent and once again triggering rallies by no fewer than some 170,000 teachers throughout the country."

#### Assurances From SNTE Leaders

Mexico City EXCELSIOR in Spanish 2 Feb 83 pp 4-A, 16-A

[Article by Alfredo Gracia Fabela]

[Text] Cozumel, Quintana Roo, 1 Feb--Teachers union leaders Carlos Jonguitud Barrios and Ramon Martinez have asserted that their union "has achieved unity" and that there is just "a minor degree of dissent in an organization in which everyone is entitled to participate but in which the decision of the majority is respected."

Interviewed during the 13th Regular National Congress of the SNTE, Jonguitud rejected the notion that the dissident teachers faction might expand and adversely affect union unity. "The crest of the wave is now behind us, and it's downhill from here on," he noted.

Both leaders commented that the National Congress must look deeper into various problems raised by administrative decentralization, indicating, however, that the final outcome would depend on sounding out the opinions of rank-and-file teachers.

The feeling among teachers, the governor of San Luis Potosi noted, is that they should work together with the authorities in the Public Education Secretariat to reach appropriate conclusions about the decentralization.

For his part, Renato Rosas, a delegate from the National Coordinating Committee of Education Workers, asserted that the Executive Committee of the SNTE is placing itself "at the tail end of the union movement throughout the country" by agreeing that the teachers cannot secure sizable salary boosts in the coming years.

He emphasized that even the Confederation of Mexican Workers is calling for a meeting of the National Minimum Wage Commission to offset the declining real wages of its members.

Renato Rosas also commented that the Revolutionary Vanguard of Teachers "is making a serious mistake" by calling for the expulsion of teachers who do not agree with its views. In any event, he asserted, argument and democratic discussion should be employed, because otherwise the split would widen.

The head of the Coordinating Committee agreed with Martinez Martin that the National Pedagogical University has not been consolidated, but he attributed this to the use of improper methods.

He also agreed that the term of office of the current SNTE secretary general has been stormy, due to the meddling of Public Education Secretariat officials, adding, however, that another reason was the failure to acknowledge the validity of dissenting views.

He felt that the proposals put forward by President Miguel de la Madrid during the opening of the 13th Congress were received by the teachers "with great satisfaction."

Jonguitud and Martinez stated that the chief executive's speech highlights the fact that his administration will pursue an education policy in which teachers can become involved and have input, which will encourage them to work with enthusiasm.

Lastly, the two leaders declined to comment on who might be elected tomorrow afternoon as national secretary of education workers.

#### Request for Decentralization Study

Mexico City EXCELSIOR in Spanish 3 Feb 83 pp 1-A, 10-A

[Text] Cozumel, Quintana Roo, 2 Feb--The SNTE has come out in favor of "an in-depth analysis" of the decentralization of the system of education in order to "avoid traumatic situations," pointing out that such a move "demands earnest and responsible decisions and, therefore, wideranging involvement by the interested sectors so that we do not proceed in an improvised fashion."

In a document drafted by the delegates to the 13th Regular National Congress, the union asserted that decentralization "is not aimed at impairing the integrity and independence" of the union, "nor at infringing on the labor and professional rights" of teachers.

The union noted, however, that the move "will obviously shatter the structure and the methods that have been in place for more than 60 years in education."

The union indicated that the foremost concern among teachers was the possible impact on the reach and quality of education, which could worsen if we do not proceed "cautiously and analytically."

The teachers would not like to see "any changes in the content and form of the most important resource that we have had at our disposal to strengthen Mexican nationalism," inasmuch as basic education "has scored spectacular gains and made up for the shortcomings of the states and municipalities," the document adds.

Another possible effect of the decentralization would be imbalances among education workers themselves, especially between those serving in the states and teachers employed by the Federal Government.

The delegates to the congress asserted that the decentralization might jeopardize the ability of nonteaching workers and the rights of teachers to remain where they are and, in the opposite case, could make it more difficult to transfer from one state to another if this became necessary.

The document stresses that the quality of the education system, as it has been run so far, has contributed to the strengthening of revolutionary nationalism.

All of these points prompted most of the delegates to call for the formation of a commission to delve into the many facets of a decentralization and to analyze the process from the economic, social, political, cultural, labor, judicial and union standpoints.

For its part, the National Executive Committee of the SNTE asserted that under a resolution of the teachers congress, "it will see to it that, as President Miguel de la Madrid stated in his message, no move to decentralize the system of education will be taken unless it has been assessed and agreed upon in advance by the SEP-SNTE commission."

#### CNTE Members on CEN/SNTE

Mexico City EL DIA in Spanish 4 Feb 83 p 2

[Article by Miguel Angel Ramirez]

[Excerpt] Cozumel, Quintana Roo, 3 Feb--The new secretary general of the SNTE's National Executive Committee, Alberto Miranda Castro, speaking before Public Education Secretary Jesus Reyes Heróles, called for the elimination of the state delegations of the Public Education Secretariat (SEP) and proposed replacing them with general directorates of the secretariat in each state.

Cheered by the delegates from Revolutionary Vanguard, he said that the delegations have created administrative problems connected with politics that have caused them to function poorly, commenting that general directorates, which ought to be run by the union, would make for a more streamlined system of education.

Miranda Castro, who had been the National Executive Committee's social action secretary, was elected unanimously after being nominated by Heberto Labra, the secretary general of Section 5 of the SNTE, located in Coahuila.

He said that the educational revolution was complex but that it would have to be tackled with the participation of education workers. He asserted that the union would not allow administrative anarchy to continue and that the regulations governing the general working conditions for the country's teachers must provide for the justice they are demanding.

He threatened to use the exclusion clause against those who cause divisions in the union.

Five members of the National Coordinating Committee of Education Workers are on the National Executive Committee: Francisco Zamora from Guerrero, chairman of the Coordinating Committee; Manuel Hernandez, who was appointed secretary of cultural development; Cirilo Rivera Velazquez, who was named secretary of planning and statistics; and Ramon Ortiz Miranda from Morelos and Luis Hernandez, who took over other committee chairmanships.

#### Judgments on Congress

Mexico City UNOMASUNO in Spanish 6 Feb 83 p 2

[Raul Trejo Commentary: "SNTE and CNTE"]

[Text] After several weeks of stormy state meetings as well as pressures and bargaining that continued until the very last minute, the education union finally held its 13th National Congress a few days ago. The SNTE leadership decided at the last minute where the meeting would be held. Off they went to the remotest point in Quintana Roo, far from the assemblies, schools and meetings where thousands of teachers issued proposals, demands and challenges during the process leading up to the National Congress. Nevertheless, in spite of the precautions that the union leadership took, they were unable to hide from the democratic delegates who fought tooth and nail to get to the meeting, where they made up close to 10 percent of the teacher representatives. Though this is a very respectable percentage, it does not accurately reflect the strength of the National Coordinating Committee of Education Workers (CNTE), many of whose members in states like Hidalgo and Mexico encountered difficulties in taking part in local congresses.

The five positions that the members of the CNTE obtained in the Executive Committee of the SNTE (two of them officers) represent a formal, politically important recognition of the representivity of this democratic faction. Thus, the leadership of the teachers union is not made up exclusively of Revolutionary Vanguard members, though there is no reason to believe that the SNTE is really opening up politically. Democratic teachers have been on the National Committee before, and in tense times they have been removed from their posts. In fact, the agreements signed almost a year ago calling for, among other things, the expansion of the sectional executive committees in Hidalgo, Valle de Mexico and Morelos, have still not been put into practice. Nonetheless, the democratic teachers have succeeded in asserting the existence of their National Coordinating Committee and have been able to demonstrate (even in spite

of the attempts to intimidate them, which have been documented by the correspondents who were at the Cozumel meeting, where special guards were in charge of wideranging surveillance) that the SNTE's national assemblies and other institutional forums are places where progressive factions can negotiate, make their presence felt and gain ground.

The process of expanding the National Coordinating Committee will surely continue, albeit not without difficulties. The decentralization of the system of education could be conducive to a greater voice for the teachers, who, after all, are the ones who are most familiar with its problems and possible solutions for them. One of the main challenges facing teachers and education workers in general is to employ their sound reasoning and experience to push for a reassessment of academic policy.

This is already happening at the National Pedagogical University (UPN), where most workers, teachers and administrators identify with the Democratic Coordinating Commission. For several months now the workers at this university have been warning about its academic decline and have called for a revision of its charter. They are backed by the students at the university, who are striking for their own demands and for a shift in the university's orientation.

The workers at the UPN, who are demanding better salaries, an end to irregular hiring practices, a cutback in confidential positions and, in general, better working conditions, have come to the conclusion that these demands cannot be taken up in isolation from the academic crisis at the university, which was initially an exemplary project and accomplishment by Mexican teachers but has now become an object of negotiations and haggling among various power groups involved in the educational system. A solution to the inefficiency of study programs, to the administrative disarray (which is being documented by the UPN's new president) and to the very orientation of the training that teachers receive there must be based mainly on the participation of the workers. To make this possible, the organization that the UPN's teachers and administrative workers have decided to build must be respected. They acknowledge the internal legitimacy of the SNTE but they are also demanding recognition of the right of all UPN workers throughout the country to examine, discuss and resolve together their common problems.

8743

CSO: 3248/566



## ECONOMIST URGES REALISTIC RENEGOTIATION OF DEBT PAYMENTS

Mexico City EXCELSIOR in Spanish 26 Jan 83 p 7-A

[Jose Luis Cecena Commentary: "Foreign Debt: Possibilities of Payment"]

[Text] During the past four decades, Mexico has made its foreign debt payments punctually, and on occasion has even made those payments early, as in the case of the oil debt and the commitments it made in the pact with the International Monetary Fund (IMF) in 1976. Certainly its payments to other countries were sometimes made by taking out new loans, but the country has always managed to meet its international obligations scrupulously.

There have been times, however, especially in the last century, when economic and political conditions made it impossible or excessively burdensome to meet the interest and principal payments on the foreign debt, which forced Mexico to renegotiate its financial obligations and even to suspend the corresponding payments completely. One of those occasions was in 1861, when President Juarez had to suspend the payment of services because it was impossible to make such payments without sending the economy into turmoil.

Although the suspension of payments led to claims by England, Spain and France, and to military intervention by Napoleon III, those were other times, and the suspension was merely a pretext for the French emperor to try to establish a colony on this continent, with the support of the conservatives. The outcome is well known to all: the Mexican people, led by President Juarez, thwarted the foreign emperor's imperialist ambitions and sent him to the gallows.

At this time we find ourselves in one of those situations when the country cannot pay its foreign debt under the conditions currently stipulated. This year, with a debt of \$80.1 billion, Mexico must come up with the fabulous sum of \$43.1 billion in interest and principal (information from TIME magazine's 10 January 1983 issue, with data from Morgan Guaranty Trust Co. of New York; we have no precise figures from the Mexican Government).

To provide some idea of what the amount of these payments means, we should note that it is greater than what Brazil (the Third World's biggest debtor, with \$87 billion) must pay in 1983 (\$30.8 billion), and it is also greater than the entire foreign debt of Argentina (\$43 billion), South Korea (\$36 billion) and Venezuela (\$28 billion), the three next most important debtors.

Now, where will we get the \$43.1 billion we need to pay the obligations that will fall due this year? Let us examine a few possibilities.

In the first place, we should consider the foreign currency income derived from the exportation of goods and services. Although we received around \$30 billion for these items in 1982, they were most likely not enough to cover our outlays for importing goods and payment for financial services (including the payment of interest on the foreign debt, but not the principal), so it can be estimated that in 1982 there was a deficit of no less than \$2 billion (according to the data available for the first 6 months and some for the period between January and September).

This means that while the current account balance had a smaller deficit in 1982 than in 1981, it did not provide enough resources to cover the payment of the principal of the foreign debt. This forced us to raise our indebtedness to meet that obligation and to cover the deficit in that balance. To that must be added the flight of capital, which intensified in 1982.

The prospect for 1983 is not very encouraging from the standpoint of our current account balance. The oil market is slumping due to low demand and falling prices, which could substantially reduce the foreign currency income from that sector. It is well known that this sector represents more than 70 percent of our exports of goods. The other export products are no better off, given the prolonged international economic crisis.

Another resource that might be available is the Bank of Mexico's gold and foreign currency reserves. At present, however, this resource is practically non-existent in Mexico, as evidenced by the serious shortage of foreign currency we are undergoing.

Under these circumstances, one might think of resorting to new loans, for not less than \$30 billion, just to cover 1983's commitments. This would send the foreign debt soaring to more than \$100 billion, without solving the problem; it would more likely postpone that problem and aggravate it for the future. In addition, it is not possible to obtain such amounts in new loans abroad; it is hard enough for us to obtain something less than \$10 billion.

One might also think of opening the door to direct foreign investment (and there are signs that this is being attempted). But that would be harmful to the country; what we need is to reduce and control the transnational enterprises, not expand their access to our major economic activities, which is what they want.

The upshot of all this is that to pay our foreign debt without imposing unbearable economic and political sacrifices on our country and people, we will have to renegotiate the loans with our creditors on terms that are commensurate with our real ability to pay. The conditions of our economy and of the people's economy demand that annual interest payments be cut substantially, and that a grace period of at least 5 years be granted for principal payments, because we need that time, if all goes well, to overcome the crisis. Let us hope that the government's efforts in that regard are oriented in this direction, and that they are successful.

## PSUM, COCEI POWER GROWS IN OAXACA TOWNS

Mexico City EXCELSIOR in Spanish 26 Jan 83 pp 5-A, 20-A, 21-A

[From "Political Fronts" Column, by Guillermo C. Zetina]

[Excerpt] This year Oaxaca, like 14 other states in the country, will see elections take place in 570 city governments and 24 Chamber of Deputies seats. As a consequence of the Institutional Revolutionary Party's neglect of the isthmus, primarily, as well as other major towns, a difficult time can be foreseen for the PRI in nearly 50 mayoral races.

Forgotten by the Institutional Revolutionary Party, the isthmus is considered a sore point for this party. The Unified Socialist Party of Mexico (PSUM) and the Workers, Peasants and Students Coalition (COCEI) have capitalized on the lack of effort by the PRI. They have built up their influence in the municipalities of Juchitan de Zaragoza, Asuncion Ixtaltepec, Chiahuites, Ixtepec, Matias Romero, Reforma de Pineda, San Dionisio del Mar, San Francisco Ixhuatan, San Juan Guichicoyi, San Miguel Chimalapa and Santa Maria Xadani.

They also have gained clout in Union Hidalgo, Santo Domingo Tehuantepec, Magdalena Tequisistlan, Salina Cruz, San Bartolo Yautepec, San Carlos Yautepec, San Juan Lalana, San Pedro Comitancillo, San Pedro Huamelula, San Pedro Quiatoni, Santa Maria, Jalapa del Marques, Santiago Lachiguiri and Santo Domingo Chihuitan.

The isthmus is such a difficult and strife-ridden area that in recent months at least 10 people have died as a result of political disputes and quarrels.

Thus, the PRI should study the possibility of designating a special delegate for that region, and it should be aware of the need for federal agencies to stop lending support to the COCEI in its political efforts, under the auspices of the PSUM.

8926

CSO: 3248/537

## CENTRAL AMERICANS' PURCHASES SAID TO PROMOTE SHORTAGES IN CHIAPAS

Tuxtla Gutierrez LA VOZ DEL SURESTE in Spanish 14 Jan 83 p 12

[Article by Gregorio Barrientos C.]

[Text] Tapachula, Chiapas--No one in Tapachula, much less municipal authorities, has been able to do anything to prevent the hundreds of Guatemalans and Central Americans who visit this region every day from ransacking local businesses and taking basic commodities and staples, leaving us Chiapanecos who live in Soconusco unable to buy our own basic goods.

It is clear that this is happening with the consent of some authorities, who allow free entry to the foreigners. Once in Mexican territory, these foreigners discover that they can buy whatever goods they want, because it is well known that our currency is much, much less valuable than the quetzal. This means that tourists who live within 72 hours of here not only take grocery items, but also take advantage of this opportunity to replenish their wardrobes; every day, the main shopping centers and the clothing and shoes department stores are packed with customers, approximately 90 percent of whom are foreigners who were able to enter our country with the well-known local pass that is extended by immigration authorities at the Suchiate and Talisman checkpoints, this side of the Guatemalan border.

This reporter interviewed the president of the Tapachula Chamber of Commerce, Luis Pedrero Pastrana, regarding this matter. He said that "the National Confederation of Merchants (CANACO) is not authorized to prevent Central Americans from purchasing whatever goods they want; on the contrary, on the one hand this is beneficial to businesses, but on the other hand, this situation has already been noted. The matter was even discussed in a regular session of the Chamber of Commerce to find the best way to protect national consumers. It is felt that in this case, CANACO's function will be just to see to it that the basic necessities are not in short supply," he commented.

"Nevertheless," he added, "we know that there is a list of basic goods that are included in the basic basket, and those products cannot be taken out of the country. It is the customs authorities, however, under the Secretariat of Finance and Public Credit, who should be in charge of ensuring that those goods do not leave."

"Thus," he concluded, "we do not want to say that the Tapachula Chamber of Commerce has not studied the problem; we are aware, however, that the solution to this problem is not CANACO's responsibility. We do have a moral obligation, though, to make sure Tapachula residents are not deprived of basic goods."

It is also known that at the two national checkpoints our authorities have allowed Central American tourists free access, legally as well as illegally. Every day hundreds of them cross the border on sojourns aboard innertubes on the Suchiate River; others come by legal means.

Many policemen who work in Suchiate and Talisman expressed the opinion, nonetheless, that the problem is not with Mexico or with Chiapas residents, but with the foreign buyers themselves, because when they return to their countries of origin they must pay duties for bringing in foreign products.

All of the above notwithstanding, Tapachultecos are now undergoing a critical situation, because while it is understandable that Central Americans--especially Guatemalans--would want to come here to buy national goods, since the greater buying power of their currency enables them to buy up all the goods and take over the businesses, they are depriving the residents of Tapachula and its environs.

8926  
CSO: 3248/537

>

## MINVAH MINISTER DISCUSSES HOUSING BILL

Managua BARRICADA in Spanish 21 Jan 83 p 5

/Text/ In commenting today in BARRICADA on the principal aspects of the highly important housing bill, Miguel Ernesto Vigil, head of the Ministry of Housing and Human Settlements /MINVAH/, called the proposed bill "equitable."

In addition to the dwellings of private owners, the same arrangement will apply to houses rented by CONIBIR /Nicaraguan Real Estate Corporation/, the Real-Estate Bank or any other state institutions. Only luxurious dwellings or houses will become state property to be used as protocol houses or by embassies of diplomatic missions.

Those who do not qualify as grantees--such as single individuals or foreigners who do not reside in the country permanently and have no desire to do so--will, in this case, be lessees of the state. Once these dwellings are unoccupied, they will be offered as grantees to families which are living in wards and have priority in accordance with MINVAH's program of housing grants.

The owners in question will receive a life annuity estimated according to the legal value of the lease rate or of the landed-property value of the real estate.

The rent may now exceed 10,000 cordobas per month. Home owners must reside in the country to be eligible for this arrangement which is not transferable to any relative, even in the base of death, when the lease expires.

#### Poor Tenants

The preliminary draft of the bill and its regulation include special provisions for poor tenants; for example, the elderly who have two dwellings--one which they occupy and one which they lease to others. After a thorough socioeconomic analysis, MINVAH may decide upon a higher rent to assure an adequate lifestyle.

The ministry will set up a monthly payment system through the National Finance System so that home owners may receive their check at the banking office closest to their home. It will be paid in scrip when the individuals are of juridical nationality: for example, associations, companies, etc.

Miguel Ernesto Vigil said that "exhaustive study has been made of the possibilities of forgery and that the bill contains certain measures designed to avoid fraudulent maneuvers."

#### An "Equitable" Bill

In calling the spirit of the bill "equitable," he pointed out that the bill will enable permanent renters to become home owners and said that owners will receive an indemnity so that "this is not a dispossession."

He added that the bill's provisions "serve to strengthen the principle whereby the dwelling should satisfy the basic human requirements, and it does not tamper with these."

In this connection, he said that the revolution is a redistribution and that it is not possible to distribute without taking away the privileges which only a few have enjoyed in the past."

Asked if the life annuities will imply a new property distribution by the state, he answered, "We believe that we shall come up with some sort of tables. We are confident that this will not mean an extra distribution."

#### Nonresidents in Nicaragua

He reaffirmed that if home owners "leave the country or reside outside of Nicaragua, they will not be entitled to the life annuity. Whoever is not physically in Nicaragua has no right to this income."

With regard to MINVAH's ability to take the necessary steps to implement the law, he said, "We shall be able to take care of this aspect in about a year," In this connection, he said that an administrative organization is being prepared and that MINVAH's presence is being strengthened in various parts of the country.

Vigil will give a detailed explanation of the bill next Thursday at a meeting of the State Council, before the Parliamentarians begin their discussions on this subject.

Unofficially, he advised that the discussions will focus primarily on the subjects of life annuity and the real-estate value of the dwellings to establish the monthly quotas.

8568

CSO: 3248/530

## POPE STRESSES PEASANTS' DIGNITY, NEED TO AVOID VIOLENCE

PA060254 Panama City Domestic Television Service in Spanish 2254 GMT 5 Mar 83

[Pope John Paul II "Message to Central American Peasants" delivered at a meeting with Panamanian peasants and Indians at the Revolution Stadium in Panama City—live; transmitted over "a Panamanian and Central American network"]

[Excerpts] The first of my reflections that I would like to share with you is on your dignity as men and as workers of the fields. Work, in effect, is dignified by design of God, the creator.

The Lord's divine plan and the dignity it entails apply perfectly to agricultural work and to the situation of the man who tills the land, as you do, since you offer society the staples and necessary products it needs for its daily nourishment: Our daily bread. Because of this, you must not harbor any feeling of inferiority regarding the dignity of your persons or way of life.

In its social teachings the church has not paused in telling persons and institutions, states and international organizations that they must insure the necessary development of agricultural activity so that it may grow harmoniously and so the social ills that affect the men of the fields can be solved.

I have not come here with technical or material solutions because these are not in the hands of the church. I bring the closeness, sympathy, and voice of the church that is solidaristic with the just and noble cause of your dignity as men and children of God. I know the conditions of your insecure way of life: conditions of poverty for many of you, and frequently less than the basic needs for human existence. I know that social and economic development has been unequal in Central America and in this country. I know that the peasant population has frequently been abandoned to an undignified level of existence, and on many occasions has been harshly treated and exploited. [applause]

I know that you are aware of the inferiority of your social condition, and that you are impatient to achieve a more just distribution of property and a better recognition of the importance that you deserve and the place that belongs to you in a new and more participative society. [applause]



I do not doubt that many politicians and leaders of this and other countries have made efforts to greatly improve your impoverished condition. Whenever necessary, it is their duty to act swiftly and profoundly. Extremely innovative and daring transformations have to be made; we must begin urgent reforms without any further delay. [applause] However, not only the authorities are responsible for taking action; it is also up to you and to society as a whole to make a joint effort. You must effectively merge all the active forces in the country so as to create the structures needed for true development, and take new instruments and means to the fields that will alleviate the peasants' lot, make their daily contact with the land a more humane and happy one, increase production and obtain more just prices for the produce obtained with the labor of their hands. [applause]

In the search for a better justice and your improvement you cannot let yourselves be carried away by the temptations of violence, armed guerrilla struggle or selfish class struggle, because this is not the path of Jesus Christ, the church or your Christian faith. [applause] There are those who are interested in having you abandon your work to take up the weapons of hate and struggle against other brothers. You must not heed them. [applause]

You can be certain that the church will not abandon you. Your human and Christian dignity is sacred to the church and to the pope. The church will continue to demand the elimination of unjust inequalities and authoritarian abuses, and it will continue to support and collaborate with initiatives and programs aimed at your improvement and development. [applause]

CSO: 3248/570

## PRIME MINISTER OUTLINES GOVERNMENT PROGRAM TO NATIONAL CONGRESS

Lima EL COMERCIO in Spanish 17 Feb 83 pp A-4, A-16, A-17

[Text of speech containing the entire government program of the cabinet sworn in 45 days ago given to National Congress by Fernando Schwalb Lopez Aldana, president of the Council of Ministers, yesterday in compliance with the Constitution: "Infrastructure Projects Will Continue"]

[Text] Mr President of the Congress:

Senators and Deputies:

By coming to these legislative chambers of Congress, the Council of Ministers which I am honored to head is not just complying with the obligatory constitutional rite set forth in Article 224 of our Constitution.

Nor does it limit its objectives to the need to initiate a dialogue with the representatives, legitimate depositaries of the national will with a broad range of trends, characteristic of the democratic plurality of our people.

We ask the Congress for understanding for the unavoidable delay of some weeks. We would have liked to have come sooner but unpostponable exigencies intervened. Now we can give Congress a better documented version with a better view of the situation we face and what we propose to do.

We will always be willing to maintain open and fruitful communications between the administrative branch and the legislative branch. All dialogue has a reciprocal nature. At the same time that we receive a precise report of national needs, demands and expectations from the agents of the people of Peru, we believe it is our duty to keep you representatives up-to-date on our projects, problems and progress in that same determination to serve Peru.

Today all these considerations have special emphasis. The year 1983 when the president of the republic, architect Fernando Belaunde Terry, very nobly appointed us to the ministerial management of his government, a year which also marks the beginning of the second half of the constitutional and democratic regime, is literally a decisive year.

Simply and truly, there are a number of serious problems in 1983. Although they have been incubating and developing for many years--certainly since before July 1980--they are reaching their most critical condition precisely in 1983.

Each one of these problems alone would suffice to arouse alert awareness--I do not mean alarm--in the country. Together they become stronger and require the mobilization of national sensitivity, intelligence and energy. That is precisely the message that the government must urgently transmit to the country through Congress. I repeat that it is not alarm because the crises are not and should not be an occasion for despair but for positive reaction, resolution to cut every Gordian knot, determination to find the solution that must be found to take Peru forward.

We all know these very critical current problems; we really live them. However, we must mention them by name because, as I have stated to the national press, we are going to say the good things that can truthfully be said and we are not going to be quiet but explicit about the unpleasant but true things that all Peru has the right and duty to know.

Those problems are:

- 1) Exacerbation of the terrorist offensive against our people and our institutions with the absurd desire to use crime to impose a totalitarian system on us that the country rejects;
- 2) The increasingly worrisome economic situation that, in spite of the persevering efforts and farsighted accomplishments of the previous cabinet of this government, has continued to worsen because of the very critical international financial situation, particularly the availability of foreign resources for Latin America; and
- 3) Partly exploiting the breaches created in the structure of the country by the first two problems and partly actively contributing to aggravate both subversion and the economic crisis, the equally repudiable phenomenon of crime and corruption, not only in the sinister sectors of drug traffic, smuggling and other forms of administrative immorality but in public security itself which is threatened by attacks and crimes that proliferate alarmingly in our cities.

From the above, it can immediately be deduced that the three essential tasks that the new cabinet has proposed for which it assumes the commitment to Congress and the country to achieve results, no matter how hard the road is, are as follows:

- 1) The complete reestablishment of public order and the full effect of the law, human rights and civil liberties and the real effectiveness of the guarantees that protect them throughout the republic as quickly as possible through the legitimate use of the resources that the Constitution has granted to the executive branch.
- 2) The indispensable financial discipline so that Peru--the economy of Peru and not just the economy of the Peruvian state--can successfully overcome the dangers of the present situation with particular emphasis on protecting the external balance and reversing the inflationary trend without sparing any truly necessary sacrifice to establish the bases for a genuine economic

recovery and without imposing any unnecessary sacrifice with special care to protect employment and the satisfaction of collective needs.

3) Mobilization of the human and legal resources of the state to carry out the most demanding morality campaign in all spheres of national life, considering this campaign as not only an extraordinary effort but also a permanent task of rigid legislation, zealous supervision, effective control and timely punishment with all the strictness the law permits.

The cabinet that I head vehemently wants to persuade--if it is necessary--the Congress of the Republic, the parties represented here and the vast audience of the people of Peru with or without political affiliation of the real seriousness of these problems and the urgent need to face them realistically in order to resolve them successfully.

On this solemn occasion when we come to report to the national representatives on the "general government program and the main political and legislative measures that it requires," as the constitutional responsibility that we are fulfilling clearly states, we do not come to give easy unilateral promises but to propose to the country arduous mutual commitments.

We are here to invite all Peruvians--without distinction of government party, opposition or independent, without discrimination of social condition or economic activity but in consideration of the need of each one--to calmly but resolutely take on the challenge together that these three major problems of 1983 present to all, whether we like it or not.

In any case, the government will fulfill that duty with the participation of those who want to support us not unconditionally, but with the critical cooperation that we not only accept but that we ask for. We are not interested in whether the opposition is radical or not but whether it is constructive and is inspired, first of all, by the common good of the Peruvians, not the circumstantial interests of political groups.

We will work without facileness and without letup to remove, as quickly as possible, at least the worst obstacles which a still adverse reality interposes to the fulfillment of what Jorge Basadre called the promise of Peruvian life.

#### Terrorism and Public Order

As I just stated, one of the main problems the republic confronts is the terrorist offensive. The government has the firm determination to continue fighting it in order to guarantee as quickly as possible the principle of authority and insure public order, the effectiveness of institutions, human rights and civil liberties within the framework of the Constitution and the law.

From time immemorial, certain regions of the country have not received the proper attention and have, therefore, become depressed areas with a very low standard of living. This circumstance has been exploited by extremism which has unleashed a campaign of death and destruction that has already had many victims and caused enormous damage to public and private property.

Its cruelty falls equally on authorities and very poor peasants. It abuses their women and kidnaps their children and steals their few possessions and livestock. It could not be said that the movement benefits or protects the poor since these are the main victims of this new criminal modality.

We are all aware of the backward condition of some regions in Peru. These evils have accumulated throughout the years, perhaps for centuries. We cannot eliminate them in the short period of one government. It is a matter of planning and carrying out short, medium and long-term programs that meet the needs of these regions, as is being done, and that can be carried out rationally, without letup, as the economic conditions of the country permit.

Impatience is understandable in these cases but does not justify crime.

The legal organization of the state and the government's sense of responsibility cannot permit this state of things to continue. By fully reestablishing the principle of authority, as it is determined to do, it will make the weight of the law fall on the actual perpetrators and those intellectually responsible for the sad events that have been occurring in these regions. They have been declared emergency areas because of the violence unleashed by a group of misguided people on the gloomy road of crime.

The government position facing these events must be well known and understood inside and outside the republic because there is an obvious tendency to distort it in order to mislead the public and try to hurt the democratic image of the regime.

It must be remembered that the government on different occasions gave warnings and made calls for peace to prevent loss of life and other deplorable consequences. Unfortunately, it was not heard. On the contrary, it was laughed at by those who later had to cry at graves of innocent people because of their irresponsible indifference or, in some cases, their encouragement of subversion.

Respect for human rights contained in the Constitution has a double meaning. In the opinion of the cabinet and I am sure the citizenry in general, the massacre of journalists in Uchuraccay is as bad as the cowardly murder of the custodians of order, the small businessmen and farm laborers, the peasants and political authorities in the region torn by terrorist violence.

There are no double standards for the government. The appropriate punishment will be applied without distinction of person, class or condition based on the circumstances that surround the crime.

Although antiterrorist action is, in the opinion of the government, mainly a police operation, experience has demonstrated that the characteristics of the fight against this new type of crime make the participation of the armed forces necessary. They are in the position to provide the logistical support needed to make the police action more effective. Therefore, close coordination has been established between the two institutions; positive results are already showing up.

Since terrorism has found favorable terrain to sow violence cruelly and indiscriminately in certain economically and socially depressed regions, government action is not limited to the indispensable reestablishment of public order in which it is engaged but extends also to urgently promoting activities that directly lead to the intensive development of agriculture, livestock, crafts and other forms of primary industrial activity. In this way, employment will be stimulated and the living conditions of the area will improve. This is part of the philosophy of attacking the evil through public order and the economic and social progress of the region and its inhabitants simultaneously.

### Foreign Relations

The government has the firm intention of developing a foreign policy based on strictest adherence to the principles and regulations of international law like the UN Charter and the OAS Charter.

We advocate universal relations without distinction but based on faithful observance of the principle of nonintervention within a framework of mutual respect and mutual benefit.

The government will stress relations with neighboring countries. This policy is united to Peru's firm determination to respect and make others respect the legal ties that it has contracted which constitute the indispensable basis for peaceful and constructive coexistence. This is a good time to stress the need to complete the demarcation of our northern border in the Cordillera del Condor area. This task, unjustifiably interrupted by Ecuador, perpetuates a tense situation in the border area.

The best--if not the only--way to preserve peace among nations is faithful compliance with solemnly contracted commitments. Without this requirement, it will be impossible to consolidate harmonious coexistence and fruitful cooperation among fraternal countries.

Integration is a suitable vehicle to consolidate permanent peace in Latin America and to achieve significant goals of economic development. It is necessary to support existing integration plans, making them dynamic and overcoming the stumbling blocks that have made their application difficult throughout the years. Within this same set of ideas, we think physical integration is an indispensable condition for success.

Inter-American solidarity, put to test by the Falklands conflict, must be evaluated and inspired by a realistic sense of hemispheric relations. We must give practical content to the aspirations of the Latin American countries, especially cooperation for development and collective security.

The hemispheric mechanisms of consultation and political coordination, even in the economic sector, will not achieve their purposes if they are not based on reality. We must recognize our similarities and admit our differences. We will not achieve anything by closing our eyes to the different historical and ethnic reality of our peoples in the north and the south. At the same time, we must properly exploit the elements that unite us. Examples of the latter

are religious freedom, the democratic vocation that is a constant of our peoples and common respect for the moral values of Western and Christian civilization to which we belong.

The crisis that Central America is living, with its dangerous projections for international peace and security, arouses the greatest interest in the government. Our desire is for a prompt settlement to establish permanent peaceful coexistence without foreign interference from any source.

The government carries out a policy affirming the presence of Peru in new geographic areas. We are pleased to acknowledge the cooperation of Argentina, Australia, Brazil and Chile so that Peruvian seamen and scientists can participate in expeditions sent by those countries to Antarctica.

We have certain factors in common with countries from other continents that define our position as developing countries. The foreign ministry is studying a policy affirming the presence of Peru in those countries with special devotion to those bordering the Pacific due to the promising expectations that this geographic area offers in the immediate future and the development of trade and the increase and improvement of new production technologies.

Peru is an old and distinguished member of the Movement of Nonaligned Countries with the objective of coordinating political actions equivalent to the economic ones of the so-called Group of 77. Peru maintains a truly nonaligned position based on the original principles of the movement with the objective of preserving its absolute political independence. Our government definitely endorses peace negotiations that the UN Secretariat General develops through our distinguished compatriot, Ambassador Javier Perez de Cuellar.

We seek an effective dialogue with the industrialized world in the common effort to achieve a new and more just international economic order. The urgency of this dialogue must be measured by the present deterioration of the international economic system characterized by the increasing adoption of policies that misinterpret the rules of trade and weaken the economies of developing countries even more.

As the president of the republic requested, there is a broad national debate to learn the opinion of the country about the Law of the Sea Treaty signed in Jamaica by 118 states and open for the signature of others for 2 years. The opinion of the Foreign Relations Advisory Committee will be a basic element in establishing the position of the foreign ministry.

Peru's policy is oriented exclusively toward insuring the effectiveness of a legal order that guarantees full exercise of our sovereignty and maritime jurisdiction as well as open international communication and effective access of our country to the riches of the ocean floor. Exploitation without effective international control can have serious repercussions on countries like Peru that are strong producers and exporters of minerals.



## Justice

To properly coordinate government relations with the judicial branch, the necessary actions aimed at the modernization and improvement of the administration of justice and its adaptation to the Constitution will be promoted.

The government feels it is equally necessary to formulate a national policy of legislative publicity, reinforce the process of reform and systematization of legislation and the codes and continue the process of modernization and improvement of the public registers and the general archives of the country.

Concerning social rehabilitation, we will continue the program of construction, remodeling, adaptation and equipment of the penal centers in the republic and we will increase attention to the education and work programs in the penal centers.

In the field of family welfare, we propose to establish mechanisms for participation by public and private organisms in planning and carrying out assistance programs and protection for children and the family.

## National Defense

The armed forces will maintain the level of readiness of personnel as well as materiel required for the proper fulfillment of the primary objective cited in the Constitution--to guarantee independence, sovereignty and territorial integrity. They will also participate, according to Article 23 of the Constitution when the president of the republic so orders, in control of domestic order in areas declared to be in a situation of emergency.

Scientific and technological research that they are developing in order to cooperate with development activities will be encouraged, especially in conservation of natural resources, the ship building industry to support the national merchant marine and the aeronautics industry to support national aeronautical activities.

Also the armed forces will continue supporting civil defense with attention to the most urgent needs in cases of disasters through air and maritime lifts or through military engineering or other available means.

Civic action will continue to be developed by the armed forces, emphasizing the construction of highways by the army, civilian river service by the Peruvian Navy and attention to and opening of air routes over the jungle by the Peruvian Air Force.

## B. Economic Area

### Members of the Congress:

The government has decided to start up a program of **/economic reorganization/** [in boldface]. The main objective is to recover the bases of dynamic and just development of the national economy. We propose to stimulate domestic savings,



protect employment, fight inflation at the base and insure the financial solvency of the country which makes it possible to attract the complementary credit resources that this process requires from the international markets.

## I. Background

Before examining the program itself, we must make a quick review of the background of the situation we have to confront.

For most of the past decade, the volume of international trade grew at a rate of approximately 6 percent per year. Since the demand for export products increased, there were few countries concerned with planning the necessary corrective measures if that trend in the world markets slowed or reversed as occurred unfortunately in 1981 and 1982.

Economic development must be based fundamentally on domestic savings. During the 1970's, the foreign debt of the developing countries experienced an unprecedented increase. The initial intention was to use foreign savings, in the form of loans, to accelerate economic growth and neutralize the negative impact of the rise of world oil prices in 1973, as much as possible. Nevertheless, such a rapid increase in the foreign debt of the developing countries inevitably had the effect of making us more dependent on the economic conditions prevailing in the industrial nations and less aware of the need to stimulate domestic savings.

Latin America, as a region of intermediate development, has been particularly exposed to this type of risk due to the existing gap between its own resources and the vast complex of its expectations.

Peru did not exploit the commercial bonanza in those years to rationally promote its development as much as it could have.

Our foreign debt grew more than eight times between 1970 and 1980. Those resources were not used well in productive investments or priority projects with reasonable costs which did not mean the continuation of artificial levels of consumption and subsidies.

At the same time, truly reproductive work and the basic infrastructure were ignored, wasting accumulated social capital in those sectors for about a decade. It is necessary to add the growing fiscal imbalances and an inappropriate monetary policy to the lack of domestic savings and the excessive foreign financing as the factors that led to the inflationary pressures felt now.

Also international inflation reached unprecedented levels in the 1970's and has led to abrupt changes in the economic policies of developed countries, greatly changing the world economic situation.

This inflation, accelerated by the second major increase in oil prices in 1979, reached levels that were intolerable for those nations. One after another were adopting restrictive policies that have repercussions on world trade and adversely affect the economic and financial situation of countries like ours for whom the sale of its products on the foreign market is vital.

The rate of economic growth of the industrialized nations will possibly continue at low levels during coming years. Therefore, world trade or the demand for raw materials should not increase significantly.

There are two additional negative factors of this world recession which is seriously affecting Peru this year: the protectionist measures against our exports and the drastic reduction in the sources of international financing.

## II. Financial Crisis and Its Possible Consequences

The critical situation in the world today has meant a virtual interruption in the flow of foreign credit to which Peru has traditionally had normal access. Since the level of domestic savings has not recovered to sufficient levels, this fact represents /a real national emergency/ [in boldface] and forces the country to quickly adapt itself to a new situation of even scarcer foreign currency and foreign savings.

For a developing country like Peru, foreign currency is basic to its growth. Our exports as well as complementary foreign savings are vital to acquire these resources. These savings normally come in the form of direct investment and foreign credit. /This year Peru needs a net increase in the level of credit/ [in boldface]. In other words, due to the strong decline in the price of our exports and the limited direct foreign investment, the country needs a greater level of credit than the amount equivalent to amortization of its foreign debt. This is a vital element for the national economy to develop normally.

Naturally, these loans must be amortized. Each year we pay part of our debt but each year we have also been receiving new loans from international banking in an amount larger than our amortizations. Obviously, we must be very cautious and watch that the level of our debt does not increase to levels incompatible with our economic growth. It is precisely this increase in foreign savings which has become particularly necessary this year to maintain our production level and a historically higher level in investments of the public sector as a whole.

The year 1982 will become history as the year when Brazil, Mexico, Chile and Ecuador, to mention only a few fraternal peoples of Latin America, could not meet their foreign obligations.

However, even though feeling the serious effects of the international situation, Peru has been able so far to maintain its solvency in international trade and finances. Our country continues to receive credit. It has fluid access to its suppliers. It is in the position to permit economic agents to carry out their transactions with the rest of the world without obstacles or delay. It maintains a favorable image abroad that has improved with the efforts made in recent years.

The year 1983 will be an even more difficult year. What happened in 1982 with the main Latin American debtors has made the financial circles reluctant

to lend to countries in the region without distinguishing clearly between those who have tried to take care of their foreign structure like Peru and have paid punctual debt service and those who have not been able to meet that requirement.

Therefore, we must see to it that international credit is not closed to Peru. As I have indicated, without it we do not have any other alternative than the loss of foreign reserves and the sharp and uncontrolled adjustment of exchange parity--in other words, an uncontrolled economic crisis. Speaking of the risk of economic crisis, I am not referring only to painful difficulties which can be overcome like those that have been experienced in recent years but to much more serious results: runaway inflation; drop in the national product; massive devaluations of the currency; widespread unemployment; drastic reduction in the real income per person; and a traumatic step backward in the development process of the country.

There is only one way to prevent such a catastrophic prospect: discipline in expenditures and consistent efforts in the responsible handling of the economy. This will necessarily cause pain in a poor country like ours filled with needs and expectations. By proposing harsh measures, the government is not trying to minimize the sacrifice asked of the country. It recognizes it, values it and weighs it carefully. It seems a cruel irony to ask more of an impoverished people that has made great sacrifices but the government is sure that the price that must be paid today will be lower than the price that would be necessary tomorrow if the proposed measures were not adopted now instead of later. It would be a much crueler sacrifice which it would be irresponsible to consent to, much less encourage.

The worrisome question now is what concretely to do. Let us give an answer empty of illusions but filled with justified and calm optimism.

### III. Economic Reorganization Program

With the objectives cited earlier of recovering the bases for a dynamic and just development of the national economy, promoting domestic savings, protecting employment, combatting inflation and insuring the financial solvency of the country, we have identified 10 areas in which we will act decisively and energetically because of the difficult times that the republic is going through.

#### 1. Improvement of Public Finances

State expenditures will be strictly limited to available financial resources. In this way, we will reduce the large imbalance of the public sector budget and the programs of the enterprises with public ownership and state enterprises with private ownership. We will eliminate superfluous expenses but the cut must unavoidably go further. However, the adjustment will consider the need to maintain public services at adequate levels, give priority to programs with greatest social impact and be oriented to limit the growth of current expenditures, thus strengthening public savings.

The prices and rates for goods and services that the state and its enterprises produce will be periodically adjusted to keep the action aimed at improving

public finances consistent. It will be possible to use subsidies for exceptional situations and to concretely benefit the poorer Peruvians, but only temporarily and with discretion.

Although tax rates are already high, it is always possible to increase collection through more efficient and stricter administration. We must avoid practices that discourage the punctual payment of taxes and actually punish the prompt taxpayer.

As a result of the actions that we are going to undertake, the public finance deficit should drop from last year's level of 6.6 percent of the gross domestic product to 3.8 percent. We have set this as the maximum financially level for 1983 with the existing limited resources.

## 2. Continuation of State Projects

Fiscal improvement must limit public investment to 8.3 percent of the gross domestic product. This is higher than the annual rate recorded in the last 20 years with the sole exception of the 10.2 percent reached in 1982, the highest in our history.

Within the framework of this program, we propose to continue ongoing projects of physical and social infrastructure. Each sector of the administration has given priority to its investments planned for 1983 based on criteria of decentralization and selectiveness. Along with the inevitable cut that the financial circumstances impose, we will establish mechanisms that insure strict fulfillment of the new timetable formulated for the different projects and punctual payment of the obligations created by their execution.

The discipline in public investment that the government proposes to carry out efficiently and with social content will also reduce imports. This will help protect the country's level of foreign reserves, another important objective of the program.

## 3. Stimulus for National Savings

Any stable and permanent development process requires an important level of domestic savings--that is, limited consumption so that these resources can be allocated for investment and the creation of future benefits.

The severe restrictions on foreign credit and the few possibilities of promptly attracting direct foreign investment force us, as we have said, to support ourselves even more than was necessary in the past with our own financial efforts. Improvement of the finances of the public sector is one step in that direction. The government is also committed to maintaining the savings system through foreign currency certificates, protecting savings in all its forms and identifying new mechanisms to encourage medium and long-term domestic savings.

Continuation of a realistic policy of interest rates for bank deposits in order to stimulate domestic savings in national currency, moderate the dollarization process of the economy and insure efficient use of a limited resource like

capital is especially important in this process. With appropriate vigilance to impede improper speculation, the interest rates should reward the sacrifice that the saver imposes on himself. This is an essential requirement for short-term economic reorganization and for longer term recovery and development.

#### 4. Strengthening of the National Productive Base

The inherited inefficiency of the economic system cultivated in the past has led to pernicious skepticism concerning the nation's ability to give its inhabitants a dignified standard of living and to insure better opportunities for the coming generations. Our country has no real inferiority. Peru is endowed with unexplored material wealth that stands out in a world concerned by the exhaustion of its primary resources. It also has a work force with enormous potential to be incorporated into the productive sector of the economy. The crisis has not reduced and does not really have a reason to affect the essential part of the national productive structure.

To avoid any such risk, the government proposes to continue an open-door policy and dialogue with the productive sectors. It aspires to eliminate excessive regulations that cause operational inefficiencies with the objective of reducing relative costs and together, with imagination and sacrifice, seeking formulas that permit transition and transformation for the industrial sector in such difficult moments. We will consider measures to encourage that important sector of the economy which will include prudent use of tariffs as a temporary instrument. We will maintain credit availability in the banks for development of productive activities.

According to the Constitution, it is the responsibility of private initiative to develop production and trade in all the sectors of the economy in which it is possible to maintain a competitive environment. This must be achieved within the legal framework and the support policies that the state, as the director of national development, formulates.

However, gentlemen, the present crisis is not going to be nor can it be resolved by the government alone. Therefore, we repeat our call to management and the workers to persevere in their efforts to increase production and productivity which will permit us to overcome our present difficulties. It is not just a matter of restricting demand which is inevitable due to the limited financial resources available. It is also basically a matter of increasing supply through the sustained increase of production.

The government also invokes management and the workers to look after the accumulated savings that the existing equipment represents and, within the real possibilities of the conditions of the foreign and domestic markets, to use the installed capacity more, put it into full operation and export surpluses that the country cannot absorb which can compete successfully with the production of other countries.

#### 5. Encouragement for Agriculture

In fulfillment of the constitutional norm that gives priority to the integral development of the agrarian sector, government action is oriented toward

increasing the production and productivity of that sector. The objectives are to: improve the standard of living of the peasant; increase employment; supply internal demand, especially in the food sector; and achieve a greater degree of competitiveness in the international markets.

The Constitution guarantees economic pluralism and democratic coexistence of different forms of ownership and enterprise. The opening of agriculture to different forms of ownership and possession is based on the law. These are useful instruments to encourage intensive and more technical agricultural and livestock exploitation. It is also advisable to study laws and regulations that create a climate favorable for investment.

The adversity of nature as expressed in the serious floods that the northern zone of the country has suffered and the drought that threatens the southern region might make it difficult in 1983 to repeat the high rates of growth achieved in the past 2 years. In addition to the inevitable support that the emergency demands, we must redouble our efforts through incentives for agriculture based on appropriate price policies, expansion of the base and horizon for development credit, the improvement of marketing, rational use of water and technical support.

As to expansion of the agricultural frontier to which the government is pledged, the need to achieve the greatest participation of the private sector possible must be considered.

## 6. Development of Exports

The foreign sector of the economy is currently a serious limiting factor. The low level of international prices for our raw materials will mean that 1983 exports will not surpass the value reached in 1980.

Therefore, it is necessary to maintain a realistic and flexible exchange policy that continually adjusts the parity of national currency based on the domestic inflationary rate and the need to preserve the foreign reserves of the country. This policy permits a gradual, not abrupt adjustment and, at the same time, promotes exports and discourages imports.

While still recognizing the negative effects of the international recession, the government feels that we Peruvians must not let ourselves be discouraged by it. In effect, the very small proportion that the economy of Peru represents on the international scale permits us to exploit advantages to expand our participation in world trade. These include the available manpower that can compete in costs and skill with other countries, especially at certain levels and in certain economic sectors. It is necessary to add the existence of natural resources in the soil and the subsoil and energy sources as well as the unexploited installed industrial capacity.

In addition to the realistic and flexible exchange policy, development of our exports requires a rational and modern system of incentives that is adapted to current practices in international trade. It will thus be possible to preclude the eventual use of pretexts for protectionist measures against our exportable products.



## 7. Protection of Foreign Reserves

In addition to the flow of goods and services, the foreign sector is sensitive to the movement of capital. The projected deficit for the balance in current accounts, once the program of fiscal discipline that we are presenting to you is adopted, will continue to be about \$900 million for the year. Because of the difficult circumstances in the financial market, the government is trying to cover \$100 million of this deficit with foreign reserves, requiring foreign support for the remainder.

In 1983, amortizations and interest of the medium and long-term debt with the international financial community for a total of \$450 million fall due. This sum does not include short-term credits from the same source which exceed \$2 billion. Based on the program we propose to apply and the support that the IMF, the World Bank, the IDB and other developmental organisms to which we belong offer to this program, we will ask foreign commercial banking not only for continuation of its lines of short-term credit and new loans that cover the amount of planned amortizations for the year but for a large additional amount that will significantly help cover the mentioned deficit.

## 8. Order and Efficiency in State Enterprises

In the past decade, the Peruvian economy suffered the inorganic growth of the state business system. Many of these enterprises have surplus personnel and lack cash assets. The excessive use of credit and the operational inefficiency have also been aggravated by the proliferation of many government restrictions and interference that have still not been eliminated.

Government policy in this sense could be summarized in one phrase: more order and fewer orders. The enterprises must have clear and precise objectives, suitable administrative cadres and a specific legal and operational framework that permits responsible autonomy and strict evaluation, not so much of fulfillment of procedures as the effective achievement of results.

The government also believes that, after the general debate held and the final revision of the legislative branch, it is time to define the topic of ownership and transfer of state enterprises. As the bill states, the state must maintain ownership of those strategic enterprises that should not be transferred to private initiative. It must advocate alternative formulas, especially joint ownership, for the others that could significantly benefit from the contribution of private initiative. It must transfer to individuals, preferably Peruvians, those enterprises or shares that do not correspond to state functions.

Special preference should be given to more participation by consumers in those enterprises that offer public services through plans of authentic representation of the consumers, especially when they not only pay for a service but also contribute capital for expansion of the installations.

## 9. Promotion of Employment

Due to the limitations imposed by the acute international crisis, growth in employment has not had the expected dynamism. However, it should be pointed

out that, different than in fraternal countries and even industrialized countries, the levels of unemployment and underemployment in Peru have decreased. In 1980, they were about 51.2 percent and 7.0 percent and fell to 46.0 percent and 6.8 percent in 1982.

In addition to the measures indicated in the part of this message referring to the action of the Ministry of Labor and Social Promotion, the economic policy will aim at increasing the number of jobs through the actions of the private sector as well as through public expenditures. The government plans to send Parliament a draft Employment Promotion Law whose general features I will describe in the sectorial part of this message.

The continuation of realistic and flexible exchange rates and interest rates as well as emphasis on the development of the agricultural-livestock and exporting sectors will permit reorganization of the productive structure of the private sector toward a more intensive use of manpower.

Public expenditures will be immediately restructured based on the need to increase employment in net terms with special emphasis on projects in which favorable results can be achieved with intensive employment of available human resources. Investment expenditures must be aimed at programs like Popular Cooperation that help multiply the aggregate value of investments and satisfy the needs of the poorest sectors of the population.

The people deprived of employment and credit must be given adequate means to put basic services within their reach under conditions accessible to their income level. The Materials Bank, for example, whose structure can permit maximum operational liberalization compatible with a minimum of bank norms of credit supervision is an example that must be followed to give the poorest sectors access to credit and help them develop a trade that permits them to earn a living, no matter how modest, until they can be fully incorporated into the formal economy.

#### 10. Consumer Protection

Although I cite this as the last point on the economic reorganization program, consumer protection is certainly not the least important. On the contrary, it is a key part of the program, not only because the economic objective is to take care of the present needs of the consumers and insure the satisfaction of their future needs but also because the success of the program will be measured by the effect it has in the medium term on creating the conditions for greater general well-being and reducing the immediate indispensable effort to the minimum.

Consumer protection will be achieved, first, by decreasing inflation through the cut in the public deficit and the increase in production and savings.

In its desire to protect the consumer against artificial price distortion, the government will promote conditions that lead to greater internal competition through the exclusion of restrictive practices like price agreements and allocation of markets. The government does not believe in the alleged benefits



of state price control. It certainly does not believe in price control by monopolies, oligopolies, cartels, Mafias and other collusion by individuals. Under the pretext of an economic freedom that they do not practice and which they betray, they only seek to create artificial shortages and price increases. The government will not hesitate to adopt administrative sanctions, accusations to the judicial branch against these abuses and economic correctives that the Constitution and the law expressly authorize for these emergencies.

Finally, it is absolutely indispensable for the functioning of an efficient and just economy that there be widespread and precise information to the public concerning the opportunities that the market offers in terms of prices, quality and relative abundance or scarcity in supply. That information is an effective guiding light for economic activity--supply--and the preferences of the consumer --demand.

Therefore, the government is studying mechanisms to provide this guidance at the lowest cost and with the greatest promptness, precision and extent possible, not only in Lima and the large cities but progressively throughout the country.

#### IV. Economic Recovery

Congressmen:

As I have indicated in this speech, several factors make handling the national economy in 1983 extremely difficult. They include the low prices for our main exports, an unfavorable evolution of foreign financial markets and the fiscal situation that has gotten worse due to a lack of strict order in expenditures of the public sector and state enterprises.

The decrease in foreign revenue from exports and the excessive imbalance of public finances in 1982, mainly covered by an increase in short-term foreign credit, explain the large deficit in the current accounts of the balance of payments in the last fiscal year. Today we must reduce that deficit by the unavoidable financial limitations to which I have referred.

This year's rate of economic activity will be moderate. Although the prices of some metals like copper and silver will probably rise, it is also probable that the price of oil will drop. Also the prevailing conditions in the capital markets are substantially harder than last year, even for countries like Peru that make serious efforts to improve their economic activity within the framework of a consistent and realistic financial plan.

The government reaffirms its staunch commitment to fight inflation. However, the need to adjust the prices of some goods and services and to maintain the country's competitiveness abroad through a realistic exchange policy conspire now against the basic objective of rapidly lowering the inflationary rate as much as we would like.

The actions that the government proposes to undertake require the united and persevering effort of the entire country; this is indispensable for success. The reorganization program requires strict discipline rather than extreme

austerity. There is enough room, within the necessary limits of caution, to carry out vital projects for the development and well-being of the country. I repeat that the emphasis must be on selectiveness--that is, priority--based on strict social and economic criteria.

The price increase in 1983 will ultimately depend on the success of the measures that I have outlined to improve public finances and the discipline with which management and the workers, showing maturity in this emergency, reach reasonable agreements consistent with increased production and the need to protect employment.

By scrupulously adhering to the outlined timetable of responsible financial management during the immediate future and while the weaknesses and dangers of the international economy persist, the constitutional government will keep and consolidate for Peru the benefits of political freedom, economic development and progress toward a more just and fraternal social order for the Peruvians.

Otherwise, an uncontrolled deficit in public finances, a growing gap in the balance of payments or the subsequent loss of the country's foreign reserves would threaten social stability and would condemn Peru to economic chaos. Gentlemen, permit me to be very clear and emphatic on this point. The tragedy of fraternal peoples should serve as a sufficient warning to us.

The concerted effort that the government is asking the country for is indispensable to prevent this danger which would be even more unfortunate and absurd when the light at the end of the tunnel can be seen. Intermittant signs of improvement in the world economy appear. If Peru punctually carries out the reorganization program, our country can benefit from the growth of international trade and renewed access to foreign credit under more favorable terms. This will lead to new opportunities of growth and economic development due to a stronger financial situation, our natural and human resources and the disciplined and united sacrifice that inspires the country.

The year 1983 can be the year when the bases are established to permit an economic recovery that can be completely achieved in 1984 if we are tenacious.

At times like now, lucidness is required to understand the harsh demands of reality. There must also be self-denial to support what the common good needs at the price of postponing some satisfactions that finally seemed imminent. There must also be determination to give preference to national needs over any lesser considerations.

The cabinet expects to find these qualities, which we Peruvians have known how to demonstrate during difficult stages in our history, in each and every citizen, whatever their political affiliation, ideological inclination, geographic origin or economic condition. It is calmly confident of finding them in the national representatives, each one of the deputies and senators whose personal attributes of patriotism, generosity and wisdom will once more suffice for their duties to the country in this delicate time of Peruvian economic life.

## Public Investment

The economic crisis and the problems generated by terrorism have not paralyzed the public works that the government carries out in its commitment to the nation. The number and variety of projects carried out throughout national territory during our administration are impressive. News organs, especially abroad, are not very explicit about this. It seems that only news of havoc, destruction and death merit priority in their columns or on radio or television.

This is not only unjust to a constructive democratic government that fulfills its commitment to the country but hurts the image of Peru abroad where we are judged more by the negative things published than by the positive things that do not merit their attention. We do not want to let this opportunity pass without expressing our solidarity with the victims of the floods in Tumbes and Piura and assuring the inhabitants of those two important regions in the country that the government, as it is already doing, will lend all its aid to prevent diseases and repair the damage caused by the rains and floods, provide sources of food and medicine and grant maximum facilities so that those who have lost their homes can reconstruct them at minimum cost.

To give examples of the government projects throughout the territory, it would suffice to mention the jungle development projects like: Jaen-San Ignacio-Bagua, Alto and Bajo Mayo, Huallaga Central, Pichis-Palcazu, Oxapampa, Satipo-Chanchamayo, Madre de Dios, Ucayali and Chontayacu and Purus. The total area of these projects covers approximately 30 percent of the Amazon region.

The transversal highways that connect the sierra and the jungle with the coast should be pointed out. They generate efficient colonization and agricultural development projects in the valleys of Jequetepeque-Zana, Chira-Piura and Majes, among others.

The government has invested by looking at Peru in depth, looking at its age-old problem of inaccessibility, confronting the geography, ending the isolation of those districts and facilitating connections among the regions.

The investments cover basic projects of electrification, rural improvement, small irrigation, hospitals, medical posts and educational centers. I could go on indefinitely giving real examples of the concern and work of the government to update the basic infrastructure of the country with visions of the future. However, I believe that what I have cited is sufficiently illustrative.

## Agriculture

The basic objective of the government's agricultural policy is increased production and productivity with the objective of supplying internal demand and achieving competitiveness in the foreign market, at the same time reducing the levels of unemployment and underemployment. The government's priority attention will go to the acceleration of the process of adjudicating land and other assets with agrarian reform objectives and expediting the delivery of titles of ownership to the workers of the land.

Government action will also be directed toward consolidating the support and promotion of crops and breeds, especially in the depressed parts of the coast, sierra and the jungle as well as the development of policies and mechanisms that permit efficient marketing, especially of food. It is necessary to make the expansion of the agricultural frontier dynamic, promoting greater participation by the private sector, support the creation of infrastructure through projects with quick results and high absorption of manpower and encourage micro-regional development programs, mainly in the three regions mentioned.

It is necessary to progressively reduce excessive state intervention. The urban-rural ratio in the price structure must be just. It must also be decisive in reducing the obstacles that limit commercial movement of imports and exports of agricultural products and supplies.

We are going to restructure and improve the present marketing and supply systems to directly benefit the producer and the consumer, establishing an adequate physical infrastructure for wholesale marketing as well as rural marketing centers, urban distribution centers and people's markets. The application of the price policy on supplies and basic food products subject to price control will be the responsibility of the Ministry of Agriculture with the advice of the Ministry of Economy, Finance and Commerce.

One priority task is to continue the small and medium irrigation projects, continue promoting the use of advanced irrigation technologies, continue irrigation construction projects and rural settlement projects in the jungle and promote private investment in incorporating more land for agriculture.

Other priority tasks include: aiding the free organization of agricultural producers, continuing the process of restructuring and change of the associated enterprises that request it, encouraging the development of peasant and farmer communities on the sierra and encouraging the creation of agricultural service cooperatives that help increase the productivity of the land.

#### Food

Starting this year, all food programs of the Ministries of Health, Education, Agriculture and Fisheries and the National Food Support Office will be coordinated in a national food plan. This will not only mean conserving efforts and resources but also reinforcing and expanding the coverage of the school breakfast or lunch, the mother-child food program, the people's dining rooms and other programs. It will also mean developing our food production and increasing the income of our rural population, the poorest in the country.

This is consistent with the decision of the Ministry of Agriculture to give priority to the sierra, the backbone of the country and heir of an ancient agrarian and community tradition which is a true response to our most basic problems. As the essence of the national plan, it is necessary to reestablish the Andean precept of food emancipation, again activating the enormous organizational potential of the peasant communities.

It is necessary to reconstruct the Andean productive base which has deteriorated from overpasturing, small estates and the increasing impoverishment of the

peasant. It is necessary to reconstruct canals, dams and wharfs, improve seeds and crops, reforest the slopes, reorganize the handling of communal pastures, improve the livestock and recover arid land to raise alpacas and llamas which are more adaptable and productive than sheep.

The food programs will be oriented in this direction and with this inspiration. They will be decentralized and better coordinated and organized by the community and local governments.

Beginning this year, mayors will organize multisectorial food and health committees, responsible for coordinating different food and health programs. There is no one more interested than the people themselves in taking care of their most basic needs.

### Industry

National industry, whose rates of decrease reflect the crisis that affects it for known external, internal and temporary reasons, will be promoted by the state through the new general industries law approved by this Parliament in May 1982. It emphasizes decentralization of manpower and small industry and crafts.

The government feels that industry is the motor of development, not the by-product of economic growth. Therefore, it will encourage full utilization of installed capacity, productivity, efficiency and competitiveness which guarantee business stability and constant growth of this important source of employment. Within this framework, emergency corrective measures will be adopted based on the recommendations of the multisectorial committee for industrial support created for that purpose.

The productive apparatus of national industry will be revitalized with selective, flexible and concerted criteria. In this sense, the mechanisms established by the general industries law will be applied concerning acquisitions by the state and its enterprises and the agreement and adaptation of national production to the needs and requirements of national defense and appropriate and timely responses to protectionist measures of other countries.

### Tourism

A very important task is to encourage tourism by foreigners and internal tourism through adequate promotion campaigns and information and the creation of the necessary infrastructure. The executive branch will propose a bill to Parliament granting appropriate tax incentives.

The government will continue the development of the second stage of COPESCO [Integrated Tourism Project] which will cover the departments of Cuzco, Puno, Apurimac and Madre de Dios and study of the integral tourism plan.

As to integration, the policy to be followed in coordination with the Ministry of Foreign Relations will include review of the progress of the integration and cooperation processes in which Peru participates, especially the Andean

Group, and reorientation based on pragmatic, flexible and technical criteria so that they completely fulfill their objectives.

#### IV. Energy and Mines

The government energy policy will continue under the Popular Action plan and the agreements signed in the National Defense Council. The basic objectives of this policy are to maintain our oil self-sufficiency and to reduce the percentage of people who do not have electricity today.

The terrorist attacks that have robbed important resources destined for expansion and improvement of electrical service and the natural disasters that threaten our electrical generation infrastructure and have recently affected the main pipeline and the production fields on our north coast will not deflect us from this goal.

With the necessary austerity that the present situation imposes on us, the 1983 public investment program will allocate more than 40 percent to the energy field.

In the oil sector, investments will be basically for exploitation and development in the areas with best prospects and lowest risk.

The drop in oil prices in the last 2 years, combined with forecasts of future behavior, clearly show us that the substantial profits our oil exports have obtained in the past will be unlikely.

Based on the budget financing law, the internal price policy will help provide the necessary resources for the urgent investments we must make to a greater extent than in the past.

The objective of this policy is to insure self-sufficiency in the future since the risk of losing this does not threaten the present regime but its successors if this foresighted policy is not continued.

Ongoing electricity projects will receive priority, especially those that have the greatest impact on decentralizing our generation capacity, transmission and electrical distribution. Studies of potential future projects will continue in order to develop concrete alternatives that permit the prompt planning and priority missing in the past.

The government recognizes the importance of mining as our main generator of foreign currency and the timely legal and financial measures with which the worst price crisis in the last 50 years was confronted. It will insist on giving financial facilities for the development of small and medium mining as well as for the concentrating plants construction program that greatly aids the development of our small mining.

State business activity is important in the mining sector. The resources and possibilities of the government must be used more as catalysts of investments that make an increase in national productive capacity possible.



It is not realistic to think about developing or consolidating state business activity based on a growing debt. If we want to increase the amount of investment in the country--the only way to increase the production and employment--we must orient our efforts to the formation of joint enterprises that properly protect the interests of the state. Present difficulties would be eased with more partners and fewer creditors.

## Fishing

There are problems in the national fishing sector that limit its sustained development like: outsized and obsolescent installed capacity in the fishing and processing phase; lack of basic support infrastructure for the different phases of the production process, especially internal marketing; and inadequate scientific and technological research for the best exploitation of our biological water resources.

Fishing itself has two major difficulties. The first deals with the limited resources in our sea today, mainly the anchovy and the sardine which have been obviously overexploited. On the other hand, abundant species like the saurel and mackerel are underexploited due to lack of an adequate fleet and fishing system. The second is related to the different fleets that operate on the coast; most are obsolete and lack adequate systems of navigation, instruments and materials. Of the 100 quays on the coast, only 20 have piers and facilities in operating condition.

The features of the policies that the cabinet proposes to follow are oriented to the short and medium term and, in the scientific and technological field, cover different measures like the creation of a fund to reinforce financing of the scientific research of IMARPE [The Sea Institute of Peru], financing for applied food research and training national scientific personnel.

Renovation of the local fleet will continue and support will be given to the association of local fishermen. The program for landing infrastructure will continue, the progressive and selective renovation of the fishing fleet will be supported and the establishment of fish farms will be developed.

Concerning the problem of marketing, it will seek to increase the volumes for direct human consumption and the construction of cold storage. The direct participation of the producer in the marketing of his products will be stimulated.

## Transportation and Communications

In the transportation and communications sector, we believe it is important to provide the best services to the productive activity, achieving constant conservation and rehabilitation of the infrastructure in order to integrate the country and facilitate access abroad, expanding the economic frontier through colonization and incorporating new areas of proven potential. It is important to point out that the actions taken from August 1980 to December 1982 and plans for 1983 and coming years constitute short-term operational stages. However, all of them are aimed at achieving the objectives and goals proposed in the 1980-85 government program.

Concerning land transportation, road preservation is the priority activity in this sector. It merits preferential treatment in order to maintain the installed capital and to permit traffic on the entire road network, more than 65,000 kilometers.

With respect to maritime transportation, there will be effective supervision of the Freight Reserve Law that permits the national shipping fleet to participate in up to 50 percent of the volume of international trade. The Ship Consolidation Fund will begin to confront the critical situation of this activity.

The new container terminal in Callao will go into operation. It can receive more than 35,000 containers per year. The necessary measures to reestablish maritime coastal service, the most economical and best way to transport large freight, will be determined.

In reference to air transportation, national service will be improved by establishing trunk routes serviced by large airplanes and defined by pairs of regional airports. Secondary routes will converge there through a network of smaller airports serviced by smaller airlines.

The national telecommunications system plan to achieve integral development of all telecommunications services in the country will be defined.

The expansion plan of the 150,000 new telephone lines in Lima and the installations of about 40,000 new telephone lines in 16 of the most important cities of the country starting this year merit special attention. In the rural area there are plans to reach 140 sites by radio, telephone lines or cables.

#### Education

In global terms, a goal of 6,228,800 students at all levels and systems has been planned for 1983. This means an increase of 309,500 students over 1982.

This enrollment will mean 91 out of every 100 children 6 to 14 years old will receive attention this year, an increase of 3 percent compared to 1982.

The national goal for the public sector is 5,250,300 students with 5,023,400 at the levels of initial, primary, secondary and nonuniversity higher education and 226,900 at the university level. This means about 284,700 more students than in 1982.

The growing participation of nonschool programs of the Ministry of Education to take care of the educational demand should be pointed out. This covered 263,100 students in 1982 and 296,300 are estimated for 1983.

The greatest increase corresponds to primary education with 143,500 new students. In secondary education there is a planned increase of 91,400. In teacher training, there are 8,600 more in 1983 compared to 1982; this only increased 1,700 in 1980-81.



The Ministry of Education will also develop an ambitious literacy program. The goal is to reduce the number of illiterates from 1.8 million to 900,000 by 1985. This means cutting the number of illiterates in half.

The ministry is taking and will take concrete measures to enhance the role of the teacher. It is returning status to teacher training. This year a publishing program will begin so that the teachers can publish their contributions to permanently aid the development of education. A sabbatical period will be established that will permit the teachers to have several months free for research and training every certain number of years. The admission fees teachers pay for cultural shows will be reduced by 50 percent and other measures will be adopted leading to definitive improvement of the dignity and status of the teacher in Peru.

Preferential attention will be given to improvement of the educational infrastructure and equipment. Research and technology in the sector will be encouraged and reorientation of the educational system will continue.

In addition to the new law on universities that we hope will be approved in the next legislature, the government has provided for the preparation of a plan for university recovery and development to resolve the chronic problems of Peruvian university life and to integrate it actively in national development.

Last, I would like to mention the government promotion for the application of a new cultural policy. We want to encourage development of the popular culture in Peru that, like few others countries, has ancient roots and enormous riches that run the risk of being lost. We must encourage affirmation of our cultural identity based on development of the different Andean, coastal and jungle manifestations and their interchange. We must liberate the expression of our own music, dance and pictorial and craft expressions. We must take care of and restore our archeological monuments that are witnesses to the depth of our civilization and our culture.

## Health

It is government policy in the health sector to decrease the rates of morbidity and mortality, especially for infants. In addition to publicizing and carrying out prompt oral rehydration to fight dehydration, particularly in the summer, there is an intensive mass campaign to instruct mothers in health. The services for mother-child care are the target of greater support and expansion.

It is necessary to intensify immunization activities for which an educational campaign is also being developed; the mass media will collaborate as a public service. We have expanded the plan to provide rural potable water systems and environmental improvement through agreements with AID and CARE.

Development of the infrastructure and rehabilitation of existing establishments are being carried out with the aid of different national and international institutions for primary care and basic health services.

The extension of rural services, in the final study phase, will benefit six sites with 300 hospital beds, 8 health centers and 75 health posts.

Poor nutrition makes the individual more vulnerable to disease or death and limits his brain development when it occurs in the first years of life. The government is giving this priority treatment. Applied research is being implemented in the Nutrition Institute as well as protein enrichment of key foods.

The government will make every effort to insure that truly necessary medications with a guaranteed quality are available and within the reach of the masses. The ministry has drawn up a list of essential medications based on public health priorities which covers a high percentage of the health problems of our people.

This list necessarily changes and will change because of scientific progress and the changing health situation in the country. By implementing essential medications, the Ministry of Health fulfills its obligation to the people. However, it is respectful of the freedom of prescription and development of the pharmaceutical industry and does not eliminate commercial products.

### Housing

The housing policy is based on decentralization and support for local governments. Its objective is to provide potable water and sewers to the largest number of people, improve the environment, offer cheap credit through the Housing Bank for improving existing urban developments and housing, grant cheap credit for construction by individuals in urban and marginal areas through the Materials Bank and aid housing purchases through social mortgages.

The 1980-85 improvement plan will cover 3.5 million inhabitants not including the 700,000 people involved in the third stage which we are concluding in 27 cities in the country. The fourth stage of the National Urban Improvement Plan is already in progress. It will provide potable water and improve services to more than 100 cities, basically those that have grown disproportionately in recent years and small ones that have more than 5,000 inhabitants.

In this way, the public construction sector generated 104,000 jobs in 1982 with housing projects and 36,000 with infrastructure projects, a total of 140,000 jobs directly and indirectly. We hope to maintain or increase these this year.

With the National Housing Plan which began in August 1980, more than 168,000 families will be taken care of by the end of the present year through the delivery of completed housing and room units that are still under construction. This program will cover more than 1 million inhabitants, 10 percent of the urban population in the country.

### Labor and Social Security

The main objective of the government program is to defend the employment of Peruvians as a basic value. Article 42 of the Constitution recognizes work as the "main source of wealth," "a right and a social duty" that must be assured the inhabitants of the republic through "the opportunity for a useful occupation." The duty of the state is "to promote the socioeconomic conditions that eliminate poverty" and to protect the inhabitants of Peru "against unemployment and underemployment in any of their manifestations."

In a country with the development characteristics of Peru, it is necessary to seek a difficult balance between the objective of preservation of employment plus the benefits this means and the generation of new work opportunities for vast sectors of the population who are incorporated in the labor force every year.

Every wage adjustment must consider the economic reality of the country to avoid exacerbation of social tensions and insure the need to maintain a high degree of competitiveness for our exports. This policy tends to defend the purchasing power of wages and, at the same time, preserve levels of employment, thus avoiding stoppages that make the expansion of production difficult.

The government is evaluating the necessary incentives to stimulate the activities that absorb manpower to a greater degree. The pertinent legislation will be reviewed, modified and improved. The participation of representatives of the workers and management in the special employment committee is desirable and will be encouraged.

It is the government's intention to send Parliament a draft Employment Promotion Law. The participation and the feeling of responsibility of the management and labor sectors are indispensable in drawing this up.

It is necessary to end the anarchic inequality in the present compensation systems. These must be replaced by a stable and uniform system that gives incentives to the creation of new jobs and revises the present rules that discourage the mobility of manpower. The promotion system must be combined with retraining of retired workers who show an interest in being trained in the new skills that the modern economy demands.

It must be stated very clearly that persisting with antiquated systems whose declared intention is to defend the stability of each person in his present job at any cost is usually the main obstacle to the creation of new, better paying jobs for the workers of the country as a whole.

A broader, more open and in-depth debate with the participation of all the labor unions and management and all the political parties is needed so that the law that we propose can incorporate the effective means to really fulfill the true objectives of any social policy--more and better paying employment.

This will be the best way to completely fulfill the social objective of labor stability set forth in the Constitution and to fill the gap that keeps widening between the workers of the formal economy and the so-called informal economy.

Another way to aid the creation and better distribution of jobs will be the stimulus that we will continue to give to the development of the cooperative movement, giving it incentives that increase its efficiency and its relative importance in the national economy.

We have to stress formulas like this that are effective ways of agreement, effective discipline that must be common to management and workers.

In this way, Peru will save the antisocial waste of conflicts and strikes. Last year, for example, they robbed the national productive effort of more than 19 million man-hours.

It also seeks to give greater impetus to social promotion activities. Actions to prevent labor conflicts will be reinforced and new legal provisions on inspections will be dictated.

As to labor relations, it will continue striving so that labor demands for better wages and working conditions are handled preferably directly between the workers and management. Two-thirds of all collective contracts are solved by this procedure now. They contain adjustment clauses in order to protect wages from the effects of inflation. In the case of workers in the private sector who do not have collective negotiation, the policy of periodic adjustments will continue.

With respect to social security, the special committee formed by resolution of the Ministry of Labor gave its final report to the Congress. Based on its recommendations and the provisions the Peruvian Social Security Institute adopts internally, its organization will be adapted to effectively fulfill its objectives set forth in the Constitution.

I must tell the national representatives that the government is trying to have the state gradually guarantee the right of all to social security. Coverage has increased to about 4 million insured and we plan to include more.

However, this objective requires the joint effort of the state, employers, insurers and workers. In other words, there must be no evasion in contributions to the insurance. Otherwise, the financial imbalance of the institution will become worse.

Another basic objective in this field is regional deconcentration and decentralization of the social security financial and administrative structure in order to increase its efficiency and expand its field of activity.

To care for the insured, peripheral polyclinics will open in Lima and the provinces and hospital construction in several places in the republic will continue as resources permit.

#### Popular Cooperation

The Popular Cooperation programs will also have priority because they contribute to rural development and resolve immediate and urgent needs of the people at a low cost. They also assume community organization and close coordination with the local governments which give priority to the projects.

The efforts of Popular Cooperation will be concentrated on community infrastructure projects that the towns request to end their backward condition. There will be resources so that the communities in Peru can construct canals and dams, regional roads, small hydroelectric powerplants, posts, potable water systems and schools this year. The Popular Cooperation budget has more than doubled in order to revive the life and progress of the forgotten towns.

Popular Cooperation will not be limited to supporting the towns in the construction of projects. It will also set up community shops and factories for the production of supplies that the community or district needs for its development projects. Therefore, school furniture shops, lime and plaster factories, brick and tile factories, plants to manufacture concrete blocks and pipes and tree nurseries will be established in the towns of Peru.

In addition to generating employment in the interior, it will permit the towns to produce their supplies for their own projects, their own development.

### Decentralization

The government has learned of the agreements adopted at the national level by the congresses of mayors and at the regional level by conventions in the east, north and center of the republic.

The aspiration of the local governments to increase their revenue and accentuate decentralism and municipal autonomy that help strengthen their organization and the efficiency of their services is legitimate.

The problem of national integration is not only the problem of relations between the city and the country or the problem of the extreme poverty of many areas of the country or the problem of underemployment. It is also the problem of the need to consolidate an organization that guarantees the ability of the peoples to express demands and needs, to participate in government decisions, to direct their own development and administer their own services.

For this reason, the government has proposed to consolidate an orderly but organic and in-depth process of decentralization.

The corporations and local governments in Peru must gradually assume new and more important functions that organisms of the central government still perform at this time. They must acquire more weight in distributing public expenditures and in the administration of basic services.

We plan to draw up a medium-term plan with the local governments through a joint committee which will transfer functions, resources and technical and administrative capacity to the towns in 5 years.

Important steps have already been taken in that direction in the last 2 years. There is a new municipalities law that is much more advanced and decentralist.

More resources have been given to the municipalities although not enough. These include: the loan from the Bank of the Nation which has been forgiven; 10 percent of the CERTEX [Export Certificates]; the tax on wheeled vehicles; the new predial tax law that transfers the predial business tax to the municipalities; the transfer of the functions of the housing and transportation sectors; etc.

It will give each one of the 150 provincial councils a basic machinery pool. This is unprecedented in the history of Peru. We are giving the towns the

instruments to carry out their own development autonomously. We are also forming the Municipal Development Fund so that the municipalities and neighborhood associations have soft credit to carry out projects of local interest.

It is also very important that now, for the first time, more than 30 percent of the public investment of the central government has been decentralized and channeled through departmental corporations. Investment decisions are made by the corporation assemblies where all the provincial mayors, spokesmen for local needs, are represented.

### Morality

At the beginning of this message, I referred to the need for morality in public office as one of the stronger and more urgent current needs.

It cannot be denied that there is a state of alarm in the collective conscience concerning the seriousness and growing ease with which the scale of ethical values has changed in many sectors and expression of social life.

This situation requires the urgent adoption of corrective measures. They start with the personal example that the men who have leadership responsibilities in government give. Through their conduct, they must help forge a new conscience of respect for moral values. However, personal example is not enough. Social, institutional and legal means are needed to prevent, detect, persecute and punish violations.

A democratic government ruled by the Constitution and the law has the necessary elements of supervision and control to exercise the vigilance that handling public funds requires. This is the case of Parliament and the free press that acts in our midst without limitations or pressures of any type to carry out its commission.

Progress in that area is already seen in the unlimited freedom of the mass media to denounce--at times truthfully and justly and at other times lightly and even falling into slander or contempt--any excess or violation, real or imaginary, that can be attributed to the rulers, administrators or politicians.

Similarly the organs of control created or strengthened by the Constitution like the Attorney General's Office and the General Comptroller's Office have begun to carry out their preventive and purifying function.

The first, entrusted to an honest magistrate with an exemplary government and civic career, is imprinting a new and wholesome note of morality that is translated into the predomination of law over any other consideration.

The second of those institutions, also under an official with selfless public service and a clean professional record, has begun to make itself felt on the correct administration of state resources.

However, it is necessary to intensify the efforts already actively deployed by the government in the first half of its constitutional term in view of the magnitude that some of the manifestations of corruption and vice are reaching.



The immense economic power of drug traffic, generally with international and even subversive support, has very seriously pressured the moral standards of many people from the humble peasant who is tempted to grow coca or marihuana or the official who succumbs to a large bribe to close his eyes or turn his back to the intermediate levels of drug processors, carriers or traffickers.

Apart from their pernicious effect on public and social ethics, the action of the drug traffickers has tremendous repercussions on the psychological and moral health of addicts. The Mafias that act in the sordid business of prostitution, illegal gambling and pornography are literally reaching scandalous levels.

No government can become involved in private morality but no government can remain impassive facing the brashness with which the moral health of the people, especially the youth and even children, is publicly attacked.

The government will propose legislative instruments and preventive actions that the seriousness of the case requires.

Another crime which has become more common is smuggling. Therefore, the government proposes to stress and expand the effective actions of detection and repression undertaken by the previous cabinet to separate the bad elements that infiltrated in public office, not to serve the law but to serve themselves against the law.

This action will not only permit better collection of public revenue but will prevent mockery of the rational protection of industry and legal trade. It will also extend to all the other sectors where government resources are collected or administered.

In general, the government proposes that, through the procedures that the law establishes, every bad official, whatever his rank, who does not fulfill his government duties will be properly identified and punished. The government knows that the number of those who commit violations is small in proportion to the vast contingent of honest public employees zealous in the fulfillment of their obligations.

The government is not willing to let the misbehavior of a small group affect the honorable reputation to which most have an irrevocable right through unjustly generalized comments.

Representatives:

As I publicly anticipated, we did not come to Congress today to describe a nonexistent country of wonders or an equally imaginary country of horrors but to speak to the national representatives in the direct, plain and clear language of reality, the language of truth.

We do not want to be deceived or be pessimists. We do not accept the depressing version of those who close their eyes to the work done for the good of the people of Peru in 2-1/2 years of constitutional government. Neither are we

going to let ourselves be carried away by overconfidence that did so much harm to the country in the past.

This government, this cabinet, wants to build. A lasting building can only be built on the firm foundation of reality, not on clouds of fantasy or on the marsh in which those who would like to drag us down with them to despair sink.

One eminent American said that I am not offended by truth nor fear truth. Truth in criticism does not offend us. We expect criticism and we ask for it. It calls our attention to our possible mistakes. Truth does not intimidate us nor should the people of Peru fear it since truth reaffirms the determination to conquer obstacles, forges character and unifies objectives.

Often it is in times of difficulty when the peoples are more united since the problems that afflict them with greater or lesser intensity become common to all citizens. The urgency of a joint effort is no longer rhetoric but becomes a common, unavoidable imperative.

Representatives:

We will have advanced a giant step, we will have covered perhaps the most important stretch of the road to recovery, when the people of Peru have full awareness of current difficulties and have resolved, freely and responsibly, to join in sacrifice and action to overcome them.

Finally, the government wants to use this illustrious platform to send this message to the entire nation: to govern means to guide the country through the real dangers to the safe port of the solution of problems and collective well-being. For that reason it was elected by the majority of the people. It has no other intention and no other alternative than to exercise its legitimate authority to take the country forward. It is going to govern with that intention. For that objective it has been appointed by the president of the republic and for that objective it has accepted at this difficult time the triple mission to overcome subversion, overcome the crisis and overcome immorality. The Congress and the country can and should trust that it will do that.

7717  
CSO: 3248/227



## WAR MINISTER EXPRESSES CONFIDENCE IN ARMED FORCES

Lima EL COMERCIO in Spanish 9 Feb 83 Sec A p 4

[Text] Yesterday, the minister of war, Gen Oscar Brush Noel, stated that the effectiveness of democracy in Peru is assured, because it has the complete backing of the Armed Forces.

He said that it was the Armed Forces' commitment to constitutionally defend and uphold the system, and claimed that this is the mission which it is carrying out at present.

In statements made to EL COMERCIO after his presentation to the special commission investigating the deaths of the eight journalists, the War Ministry head noted that democracy is not running any risk in the country.

He then reiterated his total confidence in Gen Clemente Noel, commanding general of the emergency zone in Ayacucho, owing to the "excellent work that he has been doing in that region."

He expressed the view that the work being performed by the aforementioned military commander in Ayacucho is of vital importance to the attainment of peace in the area. Brush Noel stressed: "This is why he has my personal and institutional backing."

Upon being asked his opinion of the charges made by a certain sector of the press against Noel Moral, he replied that all of that was merely further evidence of the liberty being experienced in the country on all levels.

He remarked that, in his view, such democratic liberty exists in but few countries of the world; and that, on the basis of this constitutional right, anyone can voice the opinion or make the statement that seems best to him.

He then admitted that the commander in chief of the emergency zone will meet with the special commission in Ayacucho, where, he said, its members would go to continue their task of investigating the unfortunate incidents.

With regard to the alleged political liability that the opposition is foisting on the government for the assassinations of the eight journalists, he said that any liability will have to be determined by the judicial branch alone; because, he said, it is the state authority called upon to discharge that mission.

When pressed by a reporter to reveal his personal opinion in this regard, he emphasized that he could definitely not replace the judicial branch and issue a verdict.

He added that, moreover, the entire country attests to the fact that the executive branch and the judicial branch are two organs with completely demarcated functions in the state's structure. He noted: "There is absolute separation of powers in Peru."

He then had great praise for the members of the special commission, stating that they are people of remarkable ability and moral quality; and he also underscored the personal selection made by President Fernando Belaunde.

Insofar as his testimony was concerned, he said that it was all secret in nature, because it involved national defense. He politely apologized to the few reporters who succeeded in interviewing him for not being able to talk about the matters discussed with the commission.

2909

CSO: 3348/242

## INTERIOR MINISTER DISCUSSES TERRORISM, OTHER ISSUES

Lima EL COMERCIO in Spanish 13 Feb 83 Sec A p 4

[Interview with Interior Minister Fernando Rincon Bazo; date and place not specified]

[Text] [Question] Mr Minister, from the statements made by the terrorists who were arrested in the south-central part of the country, what information has been obtained concerning the origins of Bright Path?

FRB: This has eluded the strictly police area, because they were arrested in an emergency zone where the Armed Forces have politico-military control over the district. Moreover, the attorney general of the nation visited the zone, leaving judges, prosecutors and all the instructions for trying those in custody within the short legal period of time. Before the deadline set by President Belaunde expired and the subsequent entry of the Armed Forces occurred, there was fear and not much assurance. Now, the confidence has returned, and the principle of authority is being restored.

[Question] A month ago, you spoke of a battle without deadlines against the terrorists; and you were recently heard to mention "limited days" and "countdowns." What has changed, your tactics or the real situation?

FRB: One of the features of my personality is not making advance judgments. And, in this instance, I do not wish to set exact dates. But there is no contradiction between the two statements, because this battle must be permanent. I believe that the terrorists' activity is repudiated by the public, because it is anti-Peruvian. I said that we must act with a single flag (the Peruvian one), and our sacred anthem; not with the red rag of the hammer and sickle and the International.

[Question] Do you think that it was an initial mistake to have minimized this uprising?

FRB: I belong to a party whose motto is "forward." I do not wish to look or turn back, so as not to run the risk of our becoming pillars of salt. I have closed the former books, made an assessment and opened new books with the balances of real life experiences.

[Question] Some analyses consider the problem as one of cause and effect; in other words, that poverty produces terrorism. Do you accept this?

FRB: That relationship may exist, but I repeat that we must not renounce our past. I do not want to approach the time of origin, because it would be necessary to go back very far in time. Hence, we must view the future with optimism, and banish the violence, because it generates more, and nothing is gained thereby. I think that the opposition in a democracy has the job of inspection, making constructive criticism and proposing alternative solutions.

[Question] What is your ministry doing to prevent terrorist insurrection in other parts of our mountain areas, in particular, which show very depressed conditions that could be used to advantage by those political movements?

FRB: I agree with what you have said: they are using the situation to advantage. But you must understand that the total number of taxpayers in the country, the number of those of us who bear on our shoulders the economic support, is very small in comparison with the 17 million Peruvians. I always recite part of my party's anthem: "I am from Popular Action, and I have sworn to create a country without poverty." But no miracles are to be expected. And to achieve this we need the support of all Peruvians, and not traitors to the nation.

[Question] Last year, the former prefect of Huamanga, in an interview with EL COMERCIO, predicted the subsequent (the present) steps to be taken by Bright Path after a calm period that had occurred. Do you know now what the terrorists are planning as new actions?

FRB: If you are asking me what will happen, I would give you an answer that was not specific nor clearcut, because I don't have a crystal ball. But I know that the countdown has begun for those assassins from "dark path."

[Question] But won't what could occur take us by surprise?

FRB: It will neither surprise us, nor do we fear it, because we would be backing down on our courage. Furthermore, in our policy of crossbreeding, we have taken the experience of other countries. What has proven harmful to them we have omitted, and what has been constructive we have allowed to serve us as a model. What we are doing is not improvisation. While, 6 months ago, there were statements on what was going to happen with this terrorism business, there were also minds considering the ways and means of defending the democratic system in a prudent manner.

[Question] Will half of the antiterrorist battle have been completed successfully?

FRB: One of the most dreadful things that has happened to the terrorists is the repudiation from the public; because they were raising banners (in addition to those foreign-oriented red rags) associated with the peasants' grievances. And we are observing the peasants repudiating them as well. That is dreadful for them, and it counts more than the quantitative aspect.

[Question] Would it not be possible for an international problem to be created with this red rag affair? Although it is offensive to Peruvians, after all it is the flag of a country....

FRB: It should not be waved, and they should not allow the individuals who have that symbol to attempt to impose it on our country. I don't know what position they would assume if we took our flag to hoist in the squares of their cities.

[Question] Last Monday, you said that you had tried to resign. What held you back in that decision?

FRB: When I received the position from President Belaunde, making me minister, I accepted it with all the risks, because I never sought nor wanted this post; but because I am Peruvian, I took it. Simultaneously with the signing of my appointment by the president of the republic, I also put my position at his disposal, because this is a position of trust. When I do not have it, as well as that of the prime minister and the cabinet, then I shall go home. I want it known that I would be far more at ease in my home, but with the burden on my conscience that, when I was needed to cope with a difficult situation, I refused the responsibility.

[Question] In other words, the president has your resignation in his office?

FRB: That is so, in order that he may use it at any time that he deems fitting, or thinks that I am not performing with the confidence that he delegated to me.

[Question] It was thought that you had opted to resign because of the "heap of charges" against you, but that you refrained from doing so in order not to break up the cabinet before its introduction in Congress.

FRB: When one participates in political activity, he is exposed to abuse and insults. But they are not going to corner Rincon [a play on words, "rincon" means corner]. I show my face, and assume my responsibility. I don't conceal myself, but they should not think that the interior minister is a "star player" either. I shall be known for my actions, nor by what is said; because there can be nice, lyrical talk, but I am no poet.

[Question] What do you think of the actions of some members of the democratic institutions who, you have claimed, are destabilizing the regime.

FRB: There are some immoderate voices there. President Belaunde has already described them as hounds. Those isolated voices cannot jeopardize an entire system. Yes, there are individuals who, whether consciously or unconsciously, are putting the democratic system in danger, trying to bring authorities into confrontation. But they will not succeed in doing so.

[Question] What you say appears to have been interpreted in the country and abroad as well to be a guess that we are sliding into a military regime. Are you calling attention to the danger of a coup d'etat?

FRB: No, no. I think that the statements made by the war minister and those of the head of the Armed Forces Joint Command, and after having heard those gentlemen who are ministers of national defense, concerning the solidarity that they voice with the defense of the democratic system, I am convinced that democracy cannot by any means run a risk, or be put in jeopardy. The destabilization that I have mentioned does not mean that there will be a coup; because the Armed Forces, with words and, what is most important, with deeds, have proven that they believe in and respect the Constitution which governs us.

[Question] Then where does the destabilizing threat lead?

FRB: To a confrontation between the Armed Forces and the civilian government. Those to blame would be the anarchists who, however, fail to realize that we are all Peruvians, both military and civilians. Fortunately, the Armed Forces are aware, and know what these assassins are seeking.

[Question] With regard to the "W" communist cell that you have mentioned, what members does it have?

FRB: There are two things: first, it is a clandestine cell; second, it is comprised of individuals who have changed their names and who use false names.

[Question] Is it comprised of Peruvians, or is it definitely foreign?

FRB: Persons from other countries are participating in it.

[Question] Have others been identified in the country?

FRB: Look, this is a matter which is under thorough police investigation, and I don't want to take a chance on making a statement without having all the documentation and proof of the facts. At the proper time, I shall say something further. The matter would also be turned over to the judicial branch when they have been uncovered.

[Question] Then no prisoners have been taken....

FRB: No.

[Question] Moving to another topic, how is the country's internal situation?

FRB: You must realize that there are things which are not underscored, owing to this bombardment aimed against the minister of interior. No one has stressed the fact that, in less than a month, over 200 kilograms of cocaine base paste have been seized: a complete record.

[Question] And as part of the moralization of your ministry, what about those 700 vehicles which were confiscated from drug traffickers and which have disappeared?

FRB: It is not exactly true that the vehicles have disappeared; it is just that we do not know their whereabouts. A follow-up is being made to locate them. When criminals and drug traffickers are caught, vehicles, houses and a group of things are seized from them. But we do not have exact information on where those units have gone. Furthermore, I have been in office only a little over a month...and in this time the only thing they have done is attack me, so that I will not continue to investigate the matters that will continue to be probed so long as I remain in the post. The tentacles of corruption are everywhere, but one swallow does not make a summer.

[Question] Have the officials who committed disloyal acts with documentation resigned by now?

FRB: No.

[Question] But do you know who they are?

FRB: An investigation of the case has been requested. I would have been proud to have found persons with sufficient courage to say: "Yes, sir, it was I, and here is my resignation." But there has been nothing. And that is "white terrorism." That is a failure to assume responsibility. I trust that justice will come, sooner or later, to detect all the individuals on all levels who are misbehaving. I would like to take this opportunity to say something that has not been clearly understood: When a person respects the authorities, he is dutybound to demonstrate it. It has been claimed that I have delayed a long time in speaking. Out of respect for Congress, which requested a report on the status of a Chilean citizen, I could not say anything beforehand, when the members of Congress had not been apprised of the matter. Then came the petition for habeas corpus; if the judicial branch was taking action, I could hardly have given in advance a decision made by that authority. This is what many people have forgotten about what must be done in a democracy. Respect for each state authority prompted my prudent silence, until the waters became calm and I could come out and appeal to the Peruvians to act with equanimity.

[Question] Now that you have mentioned the case of the Chilean citizen: although the Constitution stipulates that only the president of the republic and the Chamber of Deputies may remove ministers from their positions, why didn't you resign for a moral reason, in view of the court's decision?

FRB: Because each individual is master of his conscience; each individual is master of his ethics. That is why I have not resigned, because I have not acted against either my ethics or my conscience.

2909

CSO: 3348/242

## BRIEFS

RELOCATION OF CUBAN REFUGEES--The Peruvian Government has decided to make 100 dwellings available to the Cuban refugees, and promised to begin the complete renovation of Tupac Amaru Zonal Park. In this way, LA PRENSA's campaign demonstrating the crowded conditions under which the Caribbeans are living, and the deplorable state of the recreational premises, proved successful. The Cubans and their family members will be relocated in 100 basic dwellings in Pachacamac, while the Ministry of Foreign Relations decides upon their legal status, according to an announcement made yesterday by the housing minister, architect Javier Velarde Aspillaga. [Excerpt] [Lima LA PRENSA in Spanish 23 Feb 83 p 1] 2909

CSO: 3348/242



## PROVISIONS FOR OIL PRICE DROP NOT INCLUDED IN 1983 BUDGET

Caracas EL DIARIO DE CARACAS in Spanish 11 Feb 83 p 2

[Article by M. B.: "If Prices Drop, There Will Be an Economic Collapse."]

[Text] Special steps to be taken to cope with oil price drop. Aurelio Useche, director of the Central Budget Office, said that, in spite of the uncertainty created on the oil market regarding a possible drop in prices, no reduction is planned in the estimated revenues in the FY 1983 budget which has been scaled down.

The takeover of the BTV [Bank of the Workers of Venezuela] and the refinancing of the short-term foreign debt have clouded the discussion on the budget for FY 1983 which turned out to be the first scaled-down budget in the country's institutional history. The budget took up many pages in the newspapers not because of its novelty aspect in spite of the fact that its amount (95,395,740 bolivares) did not really jibe, according to some sectors, with national and international economic reality since Venezuela's revenues are determined primarily by petroleum and its exports.

The repetitive cycle of budgets over the past 20 years once again came to the fore: First of all, the discussion in Congress (in other words, bitter debates) and, then, the calculation of the revenues which turns out to be one of the primordial problems.

The situation became worse in 1982 when the government's oil income was hit by the adverse conditions relating to the demand for petroleum on the international market; this situation still prevails today and has created uncertainty regarding 1983 revenues.

However, official circles, specifically, in the Central Budget Office, have for the time being not suggested any imminent drop in oil prices nor is there any talk of a fiscal gap, according to Aurelio Useche, president of OCEPRE [Central Budget Office].

## Will There Be a Fiscal Gap in 1983?

Last year, by this same date, the ministers of economy were trying very hard to point out that there were not going to be any problems when it began to be realized that the traditional rise in earnings coming from petroleum exports and byproducts exports had come to an end. When all was said and done, reality prevailed and something that started as a fiscal gap of 3,000 million bolivares turned into 20,000 million in a budget that had been calculated on the basis of regular revenues of 80,292 million bolivares of which 51,292 came from petroleum earnings. The final changes came to 49,449 million bolivares for petroleum revenues for 1982 while, for 1983, there was talk of 47,866 million bolivares.

The amount estimated for 1983, according to the Central Budget Office, "is based on the revised assumptions that spring fundamentally from the petroleum policy established and carried out by the executive branch and the economic situation. The assumptions for the calculation of those figures include an estimated output volume of 2.025 million barrels of liquid gas products per day for an overall average of 2.069 million barrels."

The volume of crude exports, refined products, and liquid gas came to 1.6 million barrels per day (the last weekly letter from the Mining [Ministry] pointed out that exports are on the order of 1.260 million barrels per day).

According to Useche, the average exports for the year so far came to 1.4 million barrels per day on the average but that does not mean "that we were able to attain the established target of 1.6 million barrels at an actual sales price of \$27.42 per barrel."

"This price is slightly higher than what it was in 1982, estimated at \$27.35 per barrel but it was calculated in this way because it checks out with the average recorded during the third quarter of 1982 which was determined fundamentally by the volume and makeup of estimated exports."

"The statistics which I am working with according to the Ministry of Mines," said Useche, "do not enable me to suppose that the established target will drop from the figure of 1.660 million barrels per day because Venezuela has certain fixed customers in addition to a petroleum quality that is different from the petroleum for which prices are quoted on the spot market."

Useche was emphatic in pointing out that no reduction was planned in the 1983 scaled-down budget.

## Internal Collections

As for domestic revenues, they rose from 28,701 in 1982 to 29,945 [illegible] million bolivares in 1983 in spite of the fact that we eliminated the 3,679 million transferred to the national treasury by the Reserve Fund for the stabilization of the securities of the Central Bank of Venezuela, a source of income which is not repeated for this year.

The rest of the treasury revenues of a domestic origin was estimated by taking into account "the particular characteristics of each of the income sources and of the tax base with which they are associated."

Domestic taxes in the scaled-down budget came to 21,957 million bolivares, including the sales tax, the import tax, the liquor excise tax, the cigarette tax, the tax on petroleum byproducts, and others.

Revenues deriving from duties rose 2,633 million bolivares, including the customs service, the highway service, transportation services, fee stamps, and others.

The commerce and industry area shrank when compared to 1982 and dropped from 6,365 to 4,255 million bolivares of which most came from the profit remainder of the Central Bank of Venezuela.

The fourth component of domestic revenues consists of tax fines of which we hope to collect 90 million and, finally, miscellaneous expenditures, in which connection we hope to collect an income of 1,009 million bolivares.

#### Special Revenues

Useche pointed out that regular revenues are on the order of 77,811 million bolivares and that the rest, making up a figure of 95,700 million, is accounted for by special revenues which include 15,050 million bolivares for debt servicing that go directly to pay the short-term debt installments due.

As pointed out in the Organic Law Establishing the Budget System, one must include the revenues corresponding to this source. That law also indicates that it is necessary to eliminate those revenues that come from public credit transactions whose authorization was used by the national executive branch during 1982.

"When it comes to scaling the 1983 budget down, we include 17,580 million bolivares that come from public credit operations and that we expect to get on the basis of the authorizations in the short-term debt refinancing law of 27 August 1981, as well as from the program for the development of the physical plant of education and for the financing of the Liberator Forum."

According to OCEPRE, budgetary steps were taken to cover the following expenditure items.

This includes budget allocations in the amount of 11,671 million, to comply with the provisions in the National Constitution concerning the item. Out of this total, 5,835 million are allocated for regular administration and investment programs for federal agencies and the same amount goes for investment programs coordinated with the national government.

Consideration is also given to the budget funds originating from commitments undertaken by the republic in connection with the signing of international agreements and those that spring from the implementation of special laws, such as the estimate of the contribution of the Investment Fund of Venezuela and the Social Benefits Fund.

This also includes budget credits necessary to cover the expenditures arising from the servicing of the public debt and other financial obligations. The total of these allocations comes to 18,109 of which 7,993 million go for payments for capital amortization and 9,766 million go for interest, both on the loans already taken out and those we estimate will be taken out through public credit transactions during 1983. This also includes the payment of 350 million bolivares for obligations deriving from the republic's participation in international financial institutions.

The scaled-down budget contains a chapter on corrections for the purpose of guaranteeing the kind of amount that will enable the executive branch to cope with unexpected developments.

Question: What if oil prices drop or if crude imports are scaled back?

Answer: Then we will see what we have to do. We hope that prices will hold steady and the same goes for exports.

Question: What steps would be taken if revenues were to decline?

Answer: We would have to think about that first of all and we would have to take steps of a special nature which I do not have any specific figures for. Besides, this would mean an economic collapse on an economic scale.

Question: But what about the case of Venezuela?

Answer: So long as we keep our output and exports, we will have no reason to be afraid. Besides, Venezuela has a group of customers who are the most secure and reliable.

#### 1982 Fiscal Measure

The year 1982 began "quite calmly," if we compare it to the start of 1983. No banks were taken over, nor was this an election year. Besides, the various national sectors were anxiously waiting for economic recovery which, according to the specialized ministers, would begin that same year.

The general aspects brought out by the administration indicated that that year "would start with a slight upturn in economic activity. This favorable panorama allowed enough leeway to assume that the process of revival would tend to become stronger during this period of time and that this would make it possible to lay solid foundations for a moderate speedup in growth rates in the near future."

But, during the year's first quarter, the worldwide petroleum market underwent major changes in terms of its performance as a result of the existence of a crude surplus that forced actual sales prices down. The production adjustment and the maintenance of prices changed the economic and fiscal panorama at the beginning of the year and forced the executive branch to take steps designed to mitigate the adverse results that were beginning to develop.

The measures included a reduction in public spending, an increase in tax revenues, and incentives for agricultural, industrial, and housing construction development programs.

The most important measures included the following:

Reduction of budget allocations in the amount of 8,232 million bolivares.

Rise in gasoline prices.

Restoration of a new country exit tax.

Elimination of customs exemptions for the public sector.

Parallel to these adjustments, the executive branch decided on other "measures," such as the step of financing the budget with treasury reserves to the tune of 3,368 million, of which 830 million are accounted for by special revenues collected in 1981 but not used before that.

We also figured on 3,679.8 million bolivares transferred to the treasury by the Reserve Fund for the Stabilization of the Securities of the Central Bank, an income source which will not be repeated in 1983.

5058

CSO: 3348/240

## FORMER IMF DIRECTOR CRITICIZES ECONOMIC POLICIES

Caracas EL DIARIO DE CARACAS in Spanish 11 Feb 83 p 44

[Text] The former director of the World Bank and the IMF points out that the Venezuelan "per-capita" [earnings] were negative for 4 consecutive years. He adds: "Only two Latin American countries have that negative record and they are Bolivia and El Salvador."

Eduardo Mayobre, former director of the World Bank and the International Monetary Fund, said that, over the past 4 years, Venezuela's "per-capita" product declined by 12.5 percent. It is easy to think therefore that, during this administration's term, every Venezuelan will have to produce and will get 15 percent less than at the start of the administration's term.

This can be seen clearly according to the statistics supplied by the CEPAL (Economic Commission for Latin America) which were disseminated recently by its executive secretary, Enrique Iglesias.

The most outstanding fact in the case of Venezuela is that the drop in the output per inhabitant took place over 4 consecutive years. Because of all of the forecasts for this year, it would seem that this would be extended to 5 consecutive years.

"In Latin America, there are only two countries that have such a negative record and they are Bolivia and El Salvador. Those two countries have been subjected to a series of internal upheavals that could explain this phenomenon. In the case of Venezuela, the only thing that could explain this is a mistake in the policies that were adopted. The trouble in coping with such a prolonged recession in the economy is that we run the risk that we might move on from the failure to use our production capacity to its dismantling. Lamentably, there are already signs that this is happening."

Later on, Mayobre asserted that "during earlier years, at the start of each year, we were told that this was going to be the year of revival. But that turned out to be wrong. This year, we do not even have the consolation of that promise since the administration seems to have slipped into an attitude of resignation and fatalism so that we must expect that things are going to get worse or we must certainly pray that they will not get worse but there is very

little we can actually do in practical terms. There are indeed many possibilities for action left to us and there are also many policy instruments which the administration could use. They include steps designed to improve the environment in which the national economy moves."

"The steps that are taken must be in line with an overall pattern designed to straighten out the country's domestic economy. In this sense, we have to isolate the domestic production machinery from the worldwide recession; this has been achieved during earlier times. This would involve a coordinated body of measures that would promote the use of our production capacity which currently remains idle and certain investment undertakings which would be quite a bit bigger than those we register at this time."

"One of the indicators of lack of dynamism on the part of government authorities when it comes to coping with the country's problems has been the slowness with which they tackled the debt problem. Venezuela has a problem which is much less serious than the problem faced by other Latin American countries, such as Mexico or Brazil; but we have now tried for more than a year--we might almost say 2 years--to refinance the debt."

5058

CSO: 3348/240

## BRIEFS

LUSINCHI'S ATTITUDE REGARDING BTV CRITICIZED--Hilarion Cardozo, COPEI [Social Christian Party] strategy chief, warned that, if the case of the BTV does affect Lusinchi's candidacy, that is due to the position assumed by the AD [Democratic Action] candidate and not due to an electoral orientation step by the administration nor is it due to the Social Christian Party. COPEI strategy chief Hilarion Cardozo expressed the belief yesterday, at a meeting with newsmen, that, if the case of the BTV does affect the candidacy of Jaime Lusinchi, this is due to the positions assumed by him and a sector of his party and it is not due to premediation on the part of the administration or the Social Christian Party COPEI. He explained that the intervention of the BTV came about for economic and financial reasons and that it came after the request of Pinerua to have his party investigate Eleazar Pinto in relation to the "El Tigre" land, something which showed that "there was already some indication as to what was going on in the BTV" within the AD. Then, Cardozo continued, the AD candidate, Jaime Lusinchi, instead of correctly assessing the situation, "together with Pinto, Vargas, and his party's bureau, made statements that were reported throughout the Venezuelan press, saying among other things that the takeover of the BTV was an attack on worker co-management." "In the midst of that situation, Pinerua publicly reiterated his position on the BTV and his letters contain sufficient arguments to continue to modify his party's initial position which considered the takeover an election element that, during the course of events, showed that it did not exist in reality." "In spite of that, Jaime Lusinchi met with the AD bureau in the Selva Negra Hotel and from there he once again came to the defense of Pinto, Vargas, and the group of AD union leaders linked to the BTV. Now, the latest statements by Gonzalo Barrios and Carlos Andres Perez confirm once again that AD corrected its position in support of those unionists but Lusinchi continues with his ambiguity. For that reason, the country continues to wait to see what his final position will turn out to be because he held double, triple, and quadruple positions on the BTV." [Text] [Caracas EL DIARIO DE CARACAS in Spanish 11 Feb 83 p 2] 5058

JAPANESE LOANS FOR DEBT REFINANCING--Tokyo, 10 February (AP)--The Finance Ministry has adopted a series of new measures connected with foreign loans that would permit Japanese banks to help countries hit by financial crisis, such as Mexico, Brazil, and Venezuela, an official said here yesterday. For example, the standard that prevented a bank from making long-term loans to a foreign country, whose borrowing already exceeds 20 percent of that bank's capitalization, has been suspended, it was pointed out by Toyoo Gyoten,



deputy director of the International Finance Office in the Ministry. Thus, the Japanese banks will be able to participate in the debt reorganization programs of those Latin American countries that want to convert their short-term loans into deferred debt expiration loans, such as Mexico, Brazil, and Venezuela, the official explained. Gyoten pointed out that the ministry "will cooperate very closely" with the Japanese banks in the search for solutions to the problems caused by the worldwide crisis regarding international debts. Last week, Mexican Finance Minister Jesus Silva Herzog visited that country to talk about Mexican financial problems with government officials and banking officials here. Japan is that nation's second main creditor and Mexico's foreign debt currently comes to \$80,000 million. [Text] [Caracas EL UNIVERSAL in Spanish 11 Feb 83 p 1-1] 5058

CSO: 3348/240

END